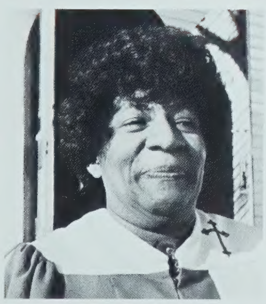
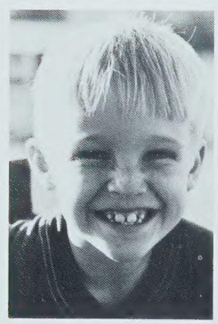
Beneficial Today

Lynch

A photo  essay of thirteen Americans served  by

 Beneficial Corporation.

The 1980 Annual Report. 

Beneficial Corporation is one of the largest and fastest growing diversified financial services companies in the world. Including non-consolidated subsidiaries, total corporate assets exceed $8 billion. Finance Division receivables outstanding exceed $4.2 billion, more than triple the level of a decade ago.

Consumer finance is the cornerstone of Beneficial's business, and the basis of the Company's market franchise. Through over 2,250 offices in the United States, Canada, and six overseas countries, the Beneficial Finance System provides virtually every type of consumer credit: unsecured personal loans, second mortgages, first mortgages, credit card loans (including VISA, MasterCard and the Company's own proprietary "Bencharge" card), revolving loans, check overdraft facilities, and sales finance.

Along with consumer finance, Beneficial is also a major source of insurance services, primarily for consumers, but also for corporations. Through the Beneficial Insurance Group (BENICO), whose assets exceed $1 billion, Beneficial provides a wide variety of life, annuity, accident and health, and property and liability insurance coverages. The major thrust of BENICO's business is consumer credit insurance related to Beneficial loans and the loans of a rapidly expanding roster of unaffiliated consumer lenders as well. BENICO also participates in the domestic and international reinsurance markets covering relatively small portions of a wide variety of property and liability and accident and health risks.

Beneficial is a major participant in the savings and loan industry through its subsidiary, First Texas Financial Corporation, the second largest savings and loan company in Texas, with $1.7 billion in assets.

Finally, Beneficial conducts a significant merchandising business through its subsidiaries, Spiegel Inc.—one of the nation's leading mail order retailers—and Western Auto Supply Company, a hard goods retailer specializing in automotive supplies and service.

Beneficial's customer base, throughout the operating subsidiaries, is the significantly expanding middle-class, both in the U.S. and abroad. Contrary to the old image of consumer finance companies that still prevails in some circles, Beneficial is no longer a lender of last resort. Rather, Beneficial competes head-to-head with banks, savings and loans, credit unions, and other lenders for the attractive middle-class consumer. The rapidly improving demographics of our customer base indicate that we are competing successfully.

Beneficial Corporation
Highlights

(in millions) Years Ended December 31	1980	1979	1978	% Increase (Decrease) 1980 over 1979	% Increase (Decrease) 1979 over 1978
Consolidated					
Net Income	$ 94.0	$ 101.1	$ 98.3	(7.0)%	2.8%
Earnings Per Common Share	3.45	4.24	4.19	(18.6)	1.2
Dividends Per Common Share	2.00	1.95	1.70	2.6	14.7
Book Value Per Common Share	37.66	36.39	34.46	3.5	5.6
Shareholders' Equity*	1,084.3	1,033.5	886.5	4.9	16.6
Finance Division					
Revenue	1,323.2	982.9	769.5	34.6	27.7
Net Income	100.8	99.6	101.5	1.2	(1.9)
Principal of Finance Receivables	4,252.9	4,264.0	3,015.4	(.3)	41.4
Number of Accounts**	3.2	3.7	3.0	(13.5)	23.3
Average Account Balance**	$ 1,344	$ 1,154	$ 1,013	16.5	13.9
Reserve for Credit Losses as % of Finance Receivables**	4.58%	4.78%	4.90%		
Savings and Loan Division					
Revenue	$ 164.5	$ 154.4	$ 133.1	6.5	16.0
Net Income (Loss)	(.8)	13.8	10.8		27.8
Equity of Beneficial in Net Income plus Purchase Accounting Adjustments	3.1	12.6	2.5	(75.4)	404.0
Merchandising Division					
Net Sales and Other Revenue	1,081.2	1,176.9	1,115.9	(8.1)	5.5
Net Income	5.6	3.5	4.3	60.0	(18.6)

*Includes $125.0 and $103.0 in Redeemable Preferred Stock at December 31, 1980 and 1979. See Note 12 on page 58.
**At end of year.

Even though 1980 was a difficult year for the economy as a whole, management is not satisfied with Beneficial Corporation's financial results. While substantial progress was made in several areas of the Corporation's activities, earnings results were disappointing. Net income declined 7.0% to $94.0 million from $101.1 million in 1979. Because of increased preferred dividend requirements this year, earnings per share fell somewhat faster, declining 18.6% to $3.45 per common share from $4.24 in 1979.

Corporate earnings were profoundly impacted by the exceedingly volatile behavior of interest rates. Interest rates rose to unprecedented levels in the early spring, fell sharply by summer, but again skyrocketed later in the year to record levels. Results were also impacted somewhat by increased consumer loan losses, particularly bankruptcies under the liberal Federal Bankruptcy Act. Despite these influences, Finance Division earnings rose modestly for the year thanks to a good gain in Insurance Group profits. However, the earnings of First Texas, our savings and loan subsidiary, were sharply reduced by the whipsaw impact of money market rates. While Spiegel also felt the effect of higher borrowing costs, Merchandising Division profits increased in 1980, entirely due to excellent progress at our Western Auto subsidiary. Some signs of a turnaround are evident at Western Auto, and we anticipate improved earnings results in the future.

Beneficial Corporation intends to be a major participant in the environment of nationwide banking that is expected to evolve in the United States.

The erratic behavior of interest rates in 1980 underscores the importance for all consumer lenders, including Beneficial, of obtaining rate relief so that our assets can be subject to the same market forces as our liabilities. Not only are we impacted by swings in the cost of our short-term borrowings, but the average cost of our $3+ billion in long-term borrowings also continues to rise. At year end the average embedded cost of our long-term debt was 8.81% as compared to 7.56% at the end of 1978. These developments in the money market have not been unnoticed by many state legislatures and other regulators of our industry, so that we have received favorable law changes in the form of rate or ceiling increases in 40 states over the past two years. Particularly noteworthy was the recent uncapping of consumer loan rates and passage of a second mortgage law in the state of New York. These changes transformed New York from an unattractive state from which we planned to totally withdraw, to an attractive area targeted for significant growth. Also significant is the recent elimination of the consumer loan rate ceiling in the state of Delaware. Obviously, there is a necessary time lag between the passage of a new law and the conversion of an active portfolio to the new effective rate. Progress is being made, and, contrary to the apparent belief of some observers, the consumer finance industry is not irrevocably locked into the rate structures of 20 years ago. Needless to say, the movement to rate relief must continue, and accelerate. Much corporate effort is being directed towards that goal.

Significant corporate effort is also being directed towards modifying the Federal Bankruptcy Act for consumers, which became effective in October of 1979, and has been utilized by many who would otherwise be able to fulfill their obligations. Often prompted by the newspaper, television, and radio advertisements of attorneys trumpeting the advantages of evading one's debts by going bankrupt, consumers have been declaring bankruptcy in record numbers. Most distressing is the ap-

parent abusive use of the Act by consumers who are not in severe financial straits and are fully able to meet their commitments. To use the parlance of our business, "bankruptcies are now coming out of the prompt file." Moreover, this exploitative process is affecting virtually all consumer lenders and is causing a significant reduction in the availability of credit for the less affluent.

1980 represented another fine year for the Beneficial Insurance Group (BENICO), as earnings increased for the ninth consecutive year, and total assets exceeded one billion dollars. Since 1971, BENICO's earnings have increased at a 35% compound annual rate, a performance which ranks among the most impressive earnings growth records in the entire insurance industry. BENICO continues to profitably expand the number of specialized areas of the insurance market that it serves. While BENICO's sheer size dictates that earnings growth will moderate in the future from the exceptional rate of the past decade, continued substantial profit expansion is anticipated.

Beneficial Corporation made good progress during the year towards refining its consumer finance strategy for the 1980's. High quality real estate secured loans continued to expand as a percentage of the portfolio, and now represent 34.6% of total outstandings. Experimentation continued with deposit gathering products. Asset management techniques were improved, allowing us to better measure the profitability of various types of loans in the differing state operating environments. 1980 represented a pause in our exceptional receivable growth of recent years as we consolidated the gains of past years and tightened operating procedures. However, net growth in the receivable portfolio was resumed late in the year, and we expect to show a reasonable gain in receivables during 1981.

Beneficial's basic mission—providing consumer financial services—has expanded significantly in recent years, both in the number of financial products offered and in the scope of our international presence. Growing beyond our initial penetration in the United States and Canada, Beneficial now is active in six overseas countries as well, with international operations making a significant contribution to net income. Our market, both in the United States and internationally, is the rapidly expanding middle class.

Beneficial Corporation intends to be a major participant in the environment of nationwide banking that is expected to evolve in the United States. Our extensive office network blanketing the country, our on-line BENCOM computer system linking those offices, and our existing access into the savings and loan and banking industries through our First Texas and Peoples Bank subsidiaries give Beneficial all the necessary structural framework to prosper in a nationwide banking mode. But the key ingredient melding all these elements together effectively is our highly skilled and experienced management team. We maintain an unwavering, clear commitment to the consumer financial services market.

Finn M. W. Caspersen

1981 should be a better year for Beneficial Corporation. Along with improved earnings results, we also expect to strengthen our market franchise, and continue to better position ourselves for the dynamic financial services market of the future.

George R. Evans
Office of the President
Vice Chairman of the Board

Finn M. W. Caspersen
Chairman of the Board

Robert A. Tucker
Office of the President
Chief Financial Officer

Earnings Summary

Beneficial Corporation's Net Income by Division

(in millions)	1980	1979	% Increase (Decrease)
Consumer Finance Group	$ 50.4	$ 53.4	(6)%
Insurance Group	59.5	50.4	18
Interest Expense (a)	(9.1)	(4.2)	117
Finance Division	100.8	99.6	1
Savings and Loan Division	3.1	12.6	(75)
Western Auto Supply	4.8	(4.6)	204
Spiegel	0.8	8.1	(90)
Merchandising Division	5.6	3.5	60
Corporate Interest Expense (b)	(15.5)	(14.6)	6
Net Income	$ 94.0	$101.1	(7)
Earnings Per Share	$ 3.45	$ 4.24	(19)

(a) Interest expense, after income taxes, related to investments in the Insurance Group.

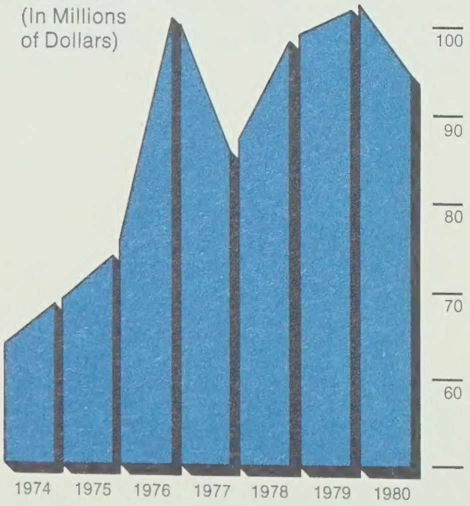
(b) Corporate interest expense, after income taxes, related to investments in Savings and Loan and Merchandising Divisions.

Finance Division earnings include profits of both the Consumer Finance Group and the BENICO Insurance Group, reduced by the interest expense, after income taxes, related to investments in the Insurance Group.

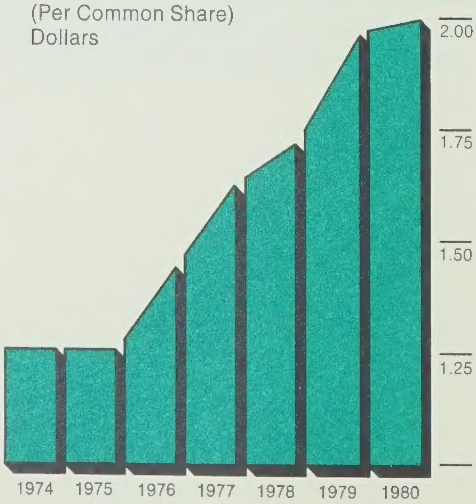
Similarly, corporate net income is presented after deduction for "corporate interest expense," which is the aftertax interest expense related to investments in the Savings and Loan and Merchandising Divisions.

Earnings per common share are calculated after subtracting preferred dividends, which rose to $17.1 million in 1980 from $8.2 million in 1979.

Net Income
(In Millions of Dollars)



Dividends Paid
(Per Common Share) Dollars



Financing

As even a casual observer of the financial markets is well aware, interest rates were exceedingly volatile in 1980. Rates followed a roller coaster pattern —rising to unprecedented levels in the early spring, plummeting by early summer, and skyrocketing again late in the year to exceed previous records. In this generally hostile market environment Beneficial offered no domestic bond issues during the year, but continued as an active participant in the commercial paper market. Pressure to sell long-term debt was lessened by the Company's receivable contraction program which was in effect for most of the year, and by the receipt in early October of $190 million from Barclays-AmericanCorporation for the sale of 138 consumer finance offices and their related receivables as required by a Justice Department order.

However, Beneficial was active in the overseas debt market in 1980, with a substantial amount of the funds raised converted to U.S. dollars and used to repay domestic short-term debt. In so doing, foreign exchange exposures were reduced significantly. In January, our subsidiary, Beneficial Overseas Finance N.V., entered into a 30 million Australian dollar credit facility with a group of five European banks. Subject to final maturity in 1985, the facility carried an initial rate of 12.5%, which is adjusted every six months. The facility also carries an attractive multi-currency option allowing for the repayment of the Australian dollars on any anniversary date with the funds replaced by borrowings in a variety of European currencies, at Beneficial's option. In March, the Company borrowed 50 million Swiss Francs, due in 1985, at an interest rate of 6⅛%. Debt service was covered by forward foreign exchange contracts which raised the effective cost of the financing to 13.7%, a rate substantially below U.S. market rates at the time. In May, Beneficial Overseas raised 20 million British pounds, due in 1990, at a rate of 14.25%. In June, the Company borrowed 15 million Canadian dollars,

due in May 1982, at a rate of 11.25%. In October, 25 million Deutsche Marks were borrowed from a group of European banks at a rate of 8.5%. These notes are due in November 1985. In December, a 20 million British pound financing, due in 1990, was completed at an effective rate of 14.3%. Thus, in total, Beneficial raised the equivalent of more than $225 million in long-term funds overseas in 1980. This impressive financing calendar illustrates the ability of Beneficial to procure funds in international, as well as domestic, capital markets.

The embedded cost on Beneficial's total long-term borrowings rose slightly in 1980, reaching 8.81% at December 31, up from 8.79% at the end of 1979 and 7.56% in 1978. Short-term rates also moved higher, on average. Beneficial's weighted average short-term note borrowing cost in the U.S. rose to 13.63% in 1980 from 12.14% in 1979. The quarterly pattern of U.S. short-term borrowing costs (beginning with the first quarter) was as follows: 14.70%, 15.44%, 9.79%, and 14.98%.

Reflecting these influences, Beneficial's melded average rate of interest expense on all borrowings, worldwide, including the effect of bank compensating balances, rose to 10.16% from 8.89% in 1979. Beneficial's strategy to limit foreign exchange exposure by borrowing in local currencies to the greatest extent possible inflates the Company's average borrowing cost somewhat. The quarterly breakdown ran as presented in the table below.

Beneficial's basic corporate financial strategy is to finance growth through long-term debt to the greatest extent practicable.

Beneficial's corporate strategy continues to be to finance growth through long-term debt to the greatest extent practicable. As indicated in the table below, short-term debt was reduced to 19.6% of total borrowings at the end of 1980 from 22.7% of total debt at December 31, 1979. Historically, Beneficial has generally maintained 15%-20% of total borrowings in short-term debt. It is anticipated that in the future the short-term proportion will tend towards the lower end of this range.

Beneficial Corporation sells commercial paper directly to institutional and other sophisticated investors. While notes are sold for terms of 15 to 270 days, the average maturity of commercial paper borrowings runs approximately 20-30 days. Standard & Poor's Corporation, Moody's Investors Service, and Fitch Investors Service assign their highest ratings of "A-1," "P-1," and "F-1," respectively, to Beneficial's commercial paper.

Beneficial's senior debentures are rated "4" (the equivalent of "AA—") by Duff & Phelps Inc., "A" by Moody's, and "AA—" by Standard & Poor's.

Worldwide Melded Average Borrowing Cost

	1980	1979
1st quarter	10.29%	8.40%
2nd quarter	10.67	8.46
3rd quarter	9.07	8.88
4th quarter	10.75	9.66
Full year	10.16%	8.89%

at December 31	1980		1979	
(in millions)	Amount	% of Total	Amount	% of Total
Short-Term Debt:				
Banks	$ 246.2	5.9%	$ 319.7	7.5%
Commercial Paper	500.5	12.1	607.1	14.1
Employee Thrift Accounts	67.7	1.6	47.6	1.1
Total	814.4	19.6	974.4	22.7
Long-Term Debt:				
Due within one year	158.3	3.8	170.8	3.9
Other	3,177.7	76.6	3,153.9	73.4
Total	3,336.0	80.4	3,324.7	77.3
Total Debt	$4,150.4	100.0%	$4,299.1	100.0%

1980 Highlights

Revenue:
$944.1 million, 28.9% over 1979.

Net Income:
$50.4 million, 5.6% below 1979.

Principal balance of finance receivables at year-end:
$4.253 billion, 0.3% below 1979.

Total number of accounts at year-end: 3.2 million, 13.5% below 1979.

Average size loan made:
$1,520, 29.1% over 1979.

Number of offices at year-end:
2,258, 5.9% below 1979.

1980 represented an extremely difficult external operating environment for the Consumer Finance Group. Interest rates rose sharply both early and late in the year, with the bank prime rate exceeding 20% twice during the period. Recessionary conditions coupled with continuing high inflation pressured consumers' ability to repay their debts. Consumers' willingness to repay their debts was eroded by the "easy out" alternative offered by the provisions of the Federal Bankruptcy Act which became effective in October 1979. The combination of these influences narrowed lending spreads, and significantly increased net charge-off and delinquency percentages. Nevertheless, despite these effects, a high level of profitability was maintained, with earnings of $50.4 million only 5.6% below the 1979 level.

During the first quarter of the year, Beneficial adopted a strategy of shrinking receivables outstanding in order to consolidate and digest the exceptional gains of recent years (both internal and through acquisition), and to improve current profitability in the face of soaring interest rates and the charge-off problems resulting from the Bankruptcy Act. Actually, the year's modest net shrinkage in the portfolio masked a two pronged operating strategy. Significant growth in high quality, real estate secured loans was pursued throughout the year, while smaller, unsecured personal loans and sales finance receivables were allowed to run off quite quickly. In an inflationary age when operating costs continued to increase rapidly, and within the context of more difficult consumer credit collections under tenets of the new Bankruptcy Act and other regulatory restrictions, it was necessary to become significantly more selective in making loans. Heading into the period of contraction, credit standards were tightened, operating procedures were made more efficient, and asset management techniques were refined to more closely measure product line profitability. Expense control was stressed, and a hiring freeze instituted, with the result that Finance Division employee ranks declined 13.7% to 8,964 from 10,392 in 1979. Finally, after significant progress towards these ends, net receivable growth was resumed in November. However, for the full year, gross receivables declined $216 million, while net receivables fell only $11 million, as unearned finance charges decreased rapidly, reflecting the change in the mix of the business towards real estate loans, which are generally written on a simple interest basis.

Real Estate Secured Loans

Despite sluggish conditions in the national consumer credit market during much of the year, second mortgage and other real estate secured loans showed excellent growth again in 1980. Real estate secured loans are Beneficial's prime growth market for the future. At year end, real estate secured loans outstanding totaled $1.470 billion, up from $830.5 million at the end of 1979.

During the year second mortgage loans made averaged $14,232, up from $12,102 in 1979. While the average contractual maturity is 11.8 years, experience has been that loans are generally paid off in approximately 3 years, as people move or refinance. Some lengthening of this effective life is being experienced currently, and can probably be expected in the future as well, although the change is not likely to be dramatic.

Beneficial's typical second mortgage loan is made to an established homeowner who has lived in his or her home for at least several years. Conservative appraisals are made by independent professional appraisers, and loans generally do not exceed 75% of the owner's equity as indicated by the outside valuation. For this prototype consumer, who likely has a relatively low interest rate, by current standards, on his or her first mortgage loan, the taking of a second mortgage from Beneficial as a source of cash offers significant savings as opposed to increasing and refinancing the individual's entire first mortgage at the rates now prevalent.

Revolving Loan Programs

Pre-approved, revolving loan programs whereby the customer takes down credit only as needed showed good growth in 1980. Revolving loan net receivables totaled $119.4 million at year end, a 24.6% increase over $95.8 million at December 31, 1979. Revolving loan programs have received regulatory approval and are now operating in 25 states. In those states "Triple AAA" Checking plans are available, whereby a consumer accesses a line of credit secured by a second mortgage on his or her home.

Revolving loan programs are implemented through Peoples Bank & Trust Company of Wilmington, Delaware, Beneficial's small banking subsidiary. A zero balance checking account is opened and checks are issued to each borrower, enabling the customer to access his or her approved line of credit only when needed, in the precise amount required. The resulting loans that the consumer creates are immediately transferred to the Beneficial loan office initiating the transaction.

Revolving loan programs provide marked operating efficiencies in reduc-

ing office paperwork and staff interview and investigation time. Moreover, consumers appreciate the convenience of not having to visit the loan office and reapply each time additional cash or a new loan is desired. Real estate secured revolving loan programs are particularly attractive, drawing high quality consumers to Beneficial and enabling them to utilize quite significant amounts of credit. Rapid growth in all forms of revolving credit is expected in future years.

Income Tax Service

Beneficial Income Tax Service, which operates in the consumer finance offices in 46 states and Canada, continued to grow in 1980. Dollar revenues climbed 32.5% to $7.0 million, as the number of returns prepared increased 5.0% to 249,489. Along with generating an operating profit, this activity offers the twin advantages of generating loan activity during the seasonally slack first quarter, and of attracting new, high quality customers to the Beneficial office network.

Worldwide Operations

Beneficial's Consumer Finance Group operates 2,258 offices in 8 countries. The geographical distribution of Consumer Finance offices at each of the past two year ends is disclosed in the table below:

Asset management and profit maximization considerations brought about the net closing of 171 offices in the United States and in Canada during 1980. Further additions were made to the overseas office network as Beneficial deepens its penetration in attractive overseas markets. In particular, the United Kingdom and Australia remain highly profitable locales in which to operate. Further investment was also made in the Japanese market, which, although still unprofitable because of high start-up costs, remains a potentially huge market for the future.

Beneficial's United Kingdom operation made an important transition in 1980, becoming a fully licensed banking company empowered to take deposits and provide the full range of consumer and commercial banking services. Now known as Beneficial Trust Limited, the company had previously operated only as a so-called licensed moneylender. Significantly, also during 1980, Beneficial Trust became directly linked via satellite into Beneficial's BENCOM data processing network.

At the end of 1980 foreign consumer finance receivables totaled $598.8 million or 14.1% of the total portfolio, versus $565.9 million or 13.2% of the portfolio at December 31, 1979. Distribution by country is disclosed in the table below:

United States outstandings decreased 1.3% to $3,660.0 million at the end of 1980 from $3,707.9 million a year earlier. Consumer Finance receivables are broadly dispersed, with operations conducted in every state of the Union except Maine and Arkansas. However, California remains a particularly important state both as to receivable volume and profitability. The five largest states, in order of importance as to total U.S. outstandings at December 31, 1980, are disclosed in the table below:

Largest States

(in millions)	Principal of Receivables	% of U.S. Total
California	$971	28.7%
Ohio	253	7.5
New York	247	7.3
Pennsylvania	242	7.2
Texas	175	5.2

Leasing

Beneficial Leasing Group had an active year in 1980. Leases on over $234 million worth of equipment were closed, as Beneficial completed

Consumer Finance Offices

(at December 31)	1980	1979
United States	1,876	2,028
Canada	159	178
Australia	114	105
United Kingdom	64	55
Puerto Rico	20	17
Japan	13	7
West Germany	7	6
New Zealand	2	1
Virgin Islands	2	2
Ireland	1	0
Total	2,258	2,399

Foreign Consumer Finance Receivables

(in millions)	12/31/80	12/31/79	% Change
Canada	$203.3	$227.0	−10.4%
Australia	183.1	155.4	+17.8
United Kingdom	119.2	85.4	+39.6
West Germany	74.2	90.7	−18.1
Japan	8.7	2.7	NM
New Zealand	9.5	4.7	NM
Ireland	0.8	0	NM
Total	$598.8	$565.9	+ 5.8%

NM—Not Meaningful

its first full year in the leveraged leasing market. Staffed by a group of experienced leasing professionals, the unit's focus in the leveraged leasing market centers on transportation equipment—airplanes, railroad cars and locomotives, containerships and barges. Leasing activities offer Beneficial a good return on current investment, certain tax advantages, and the possibility of an inflation hedge through ownership of the equipment.

Beneficial also has extensive activities in middle market and conventional leasing. A broad variety of industrial, construction, agricultural and medical equipment is leased in these transactions.

Lastly, the Group has a small commercial finance division (acquired as part of Beneficial's purchase of Capital Financial Services) engaged in accounts receivable and inventory lending. Significant growth in this area is anticipated in 1981.

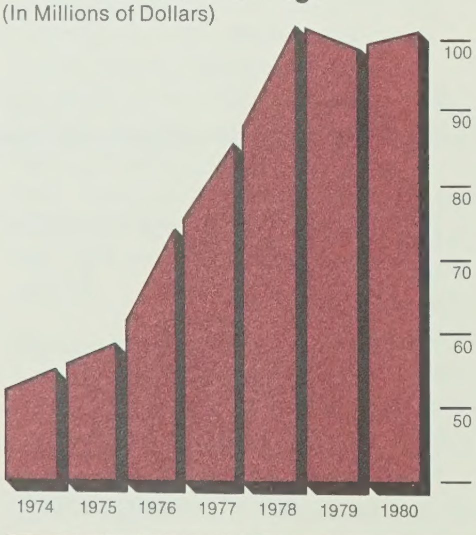
Beneficial Leasing Group's net investment in leases at year end was $174 million, up sharply from $100 million at December 31, 1979. Commercial finance receivables ended the year at $11.7 million.

Although 1980 represented an extremely difficult external operating climate for the Consumer Finance Group, a high level of profitability was maintained.

Credit Loss Experience—Condition of the Portfolio

Reflecting both adverse economic conditions and the greatly liberalized Federal consumer bankruptcy law, Beneficial's loan losses increased in 1980. Gross finance receivables charged off, net of recoveries, increased to 2.34% of average gross receivables outstanding from 1.87% in 1979. Although recessionary economic conditions in the first half of the year gave way to a modest economic recovery in the second half, inflation remained high throughout the year, pressuring consumers' real incomes. Actually, increased charge-offs due to consumer bankruptcy generated most of the increase in the loss percentage. Bankruptcy losses climbed to $47.4 million from $22.5 million in 1979. It would appear that some consumers, led by their attorneys, took abusive advantage of the provisions of the Federal bankruptcy act, which became effective on October 1, 1979.

Finance Division Earnings
(In Millions of Dollars)



Data for the seven years ended December 31, 1980

(amounts in millions)

Year	Provision for Credit Losses[a]	Gross Amount of Receivables Charged Off	Finance Receivables Charged Off[a]: Amount	Finance Receivables Charged Off[a]: % of Average Gross Finance Receivables	Reserve for Credit Losses at End of Year: Amount	Reserve for Credit Losses at End of Year: % of Finance Receivables at End of Year[b]	Consumer Loan Receivables More Than Two Months Delinquent[c]
1980	$107.2	$124.7	$114.7	2.34%	$194.8	4.58%	1.55%
1979	102.4	81.8	73.2	1.87	203.7	4.78	1.26
1978	70.9	59.0	51.1	1.57	147.8	4.90	1.15
1977	65.7	55.8	48.5	1.74	126.3	5.00	1.08
1976	60.4	54.8	48.4	2.04	106.3	5.10	1.19
1975	54.8	57.2	51.8	2.42	95.0	5.20	1.29
1974	51.1	50.0	44.9	2.12	92.6	5.20	1.28

(a) Less offsetting recoveries.
(b) After deducting Unearned Finance Charges.
(c) Excludes bank credit card receivables and receivables of West German bank.

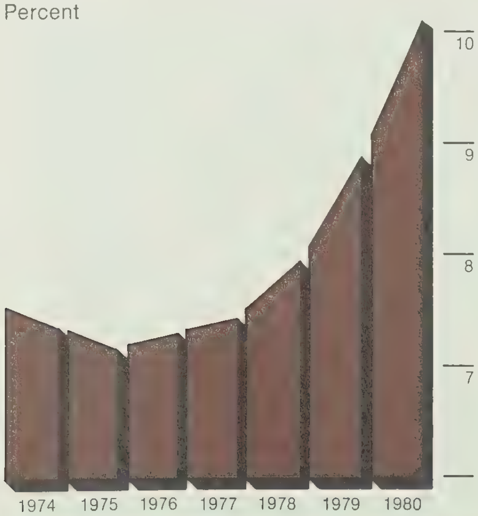
Loan delinquency also increased during 1980, and Beneficial has elected to tolerate a somewhat higher level of delinquency in the portfolio at the 1980 year end than in previous years. Nevertheless, the overall level of delinquency in Beneficial's portfolio continues among the lowest in the consumer finance industry.

The size of Beneficial's loss reserve continues to place it among the most conservative in the consumer lending industry. At year end the reserve for credit losses was $194.8 million, or 4.58% of the principal of finance receivables. This represents a modest decline from the 4.78% level of December 31, 1979, as Beneficial continues its policy of gradually reducing this percentage. The reduction reflects the continuing improvement in the overall demographics of Beneficial's customer base, as well as the rapidly expanding proportion of high quality second mortgage loans in the portfolio.

Real estate secured loans now represent 34.6% of total receivables. Gross write-offs, before recoveries, on real estate secured loans totaled only $1.9 million, or 0.16% of mean real estate outstandings in 1980.

While Beneficial is not immune to economic conditions, the geographical dispersion of receivables across North America and in six foreign countries gives the portfolio the characteristics of a broad actuarial base.

Interest Expense—Effective Rate
Percent



Domestic Companies

The Central National Life Insurance Company of Omaha
American Centennial Insurance Company
Western National Life Insurance Company
Northwestern Security Life Insurance Company
Service General Insurance Company
Guaranteed Equity Life Insurance Company
Guaranty Life Insurance Company of America
FTS Life Insurance Company
Comco, Inc.
Wesco Insurance Company
Petroleum State Insurance Company

Overseas Companies

Beneficial International Insurance Company, Limited
Consolidated Marine & General Insurance Company, Limited
Beneficial American Insurance Company, Limited
Benico Insurance Company of Cayman, Limited
Consolidated Life Insurance Company, Limited

BENICO recorded its ninth consecutive year of record earnings in 1980, as net income increased 18 percent to $59.5 million.

BENICO, the Beneficial Insurance Group, is a multinational complex of both life and casualty insurers which underwrites, both directly and as reinsurers, a wide variety of life, annuity, accident and health, and property and liability coverages. BENICO's primary thrust, however, continues to be in the highly specialized consumer credit insurance market, where the companies rank among the industry leaders.

BENICO recorded its ninth consecutive year of record earnings in 1980. Net income increased 18.0% to $59.5 million from $50.4 million in 1979. Since 1971, earnings have increased at a 35% compound annual rate.

The Group's total insurance assets exceeded one billion dollars in 1980, ending the year at $1.031 billion.

Written premiums reached $443.8 million, a 62.7% gain over 1979, while earned premiums increased 42.6% to $310.1 million. 1980 premium totals benefit from a full year's inclusion of Western National Life and Comco Inc., two companies which joined BENICO late in December 1979 through Beneficial Corporation's acquisition of their corporate parent, Southwestern Investment Company.

Net investment income increased strongly in 1980, climbing 106% to $65.6 million from $31.9 million in 1979. Investment results continue to benefit from the high level of interest rates and sustained strong cash flow. Additionally, acquired companies added a substantial increment to investment income totals in 1980.

The strength of investment income more than offset some pressure on underwriting spreads experienced in 1980. Credit accident & health loss ratios increased slightly, as has historically been true during periods of increased unemployment and sluggish economic growth. Also, property and liability loss ratios were modestly higher reflecting deterioration in the underwriting cycle. While the BENICO companies are specialized, conservative participants in international direct and reinsurance property and liability markets, sufficient size has been reached so that the Group is not immune to the effects of the classic swings in industry underwriting results. However, the impact is still markedly less than that on many of BENICO's larger competitors.

Beneficial's consumer finance strategy to stress large real estate secured loans and to shrink in the smaller, unsecured loan categories had a significant dampening effect on credit insurance written premiums in 1980 since credit insurance penetration rates on larger loans are noticeably less than on smaller obligations. This change will negatively impact earned premiums in 1981. Written premiums are initially entered in the Reserve for Future Policy Benefits (Unearned Premium Reserve), and are available for refunds to policyholders until gradually transferred to "Earned Premiums" over the life of the policy in direct proportion to the risk borne by the insurance company. However, several programs to increase penetration on larger loans are now being implemented. Over time, BENICO's challenge is to sell an increasing variety of insurance products to the higher-income customer that Beneficial consumer finance operations are attracting.

The Beneficial consumer finance office network continues to be the key marketing channel distributing BENICO's insurance products in a highly cost-effective manner. Credit insurance coverages written in connection with loans made by the Beneficial Finance

System represented 31% of total earned premiums in 1980 and a significantly greater percentage of BENICO's net income. Nevertheless, as has been the case in recent years, Beneficial-related business continues to decline as a percentage of both total premiums written and net income.

Given the pressure on Beneficial-related earned premium that will be apparent in 1981, outside business will be pursued with increasing emphasis. Credit insurance written for other consumer lenders is an attractive product line that BENICO continues to pursue aggressively. The consumer lending operations of banks are considered to be a particularly attractive market, and BENICO's client list includes institutions ranging from multinational giants down through very small, local institutions. Automobile dealers and other retailers, as well as smaller finance companies, also represent attractive opportunities to market BENICO's products and expertise.

While credit insurance is still the cornerstone of BENICO's profitability, the Group has expanded far beyond its relatively humble beginnings as a tiny operation, writing only Beneficial loan-related coverages.

Two of BENICO's newest subsidiaries, Western National Life and Northwestern Security Life, significantly broaden the Group's product lines and distribution systems in the individual annuity and ordinary life markets, and these companies will be marketing actively in 1981. Western National Life, in particular, is a major participant in the individual, tax-deferred and structured annuity market. Western's written premiums were $85.5 million in 1980.

Growth will also be pursued this year in property and liability direct and reinsurance markets, both domestically and overseas in our Bermuda and London companies. However, continuing pressure on premium rates stemming from active worldwide competition suggests that a cautious new business posture will be necessary again in 1981.

Earned Premiums

(in millions)

Year	Beneficial Finance Credit Life	Beneficial Finance Credit A&H	Beneficial Finance Credit Property	All Non-Beneficial Finance	Total
1980	$32.9	$33.3	$30.0	$213.9	$310.1
1979	30.8	33.8	23.8	129.1	217.5
1978	29.4	22.4	19.8	77.4	149.0
1977	24.7	20.0	17.0	52.6	114.3
1976	22.2	16.7	14.7	36.7	90.3
1975	18.9	15.6	11.6	23.4	69.5
1974	18.8	12.4	9.5	18.0	58.7
1973	17.0	15.4	2.6	9.7	44.7
1972	15.8	14.1	.8	7.3	38.0
1971	13.3	9.5	—	2.2	25.0
1970	10.8	4.7	—	2.6	18.1
1969	10.1	3.9	—	—	14.0

Finally, an important point to be made about BENICO's prospects in 1981 and the future is the Group's flexibility. While credit insurance is still the cornerstone of BENICO's profitability, the Group has expanded far beyond its relatively humble beginnings as a tiny operation, writing only Beneficial loan-related coverages. BENICO management has been and continues to be particularly open-minded as to new product lines and areas of growth. BENICO's management skills, 16 diverse companies, exceptional capital resources, and international presence give the Group a particularly broad scope of potential future product lines, especially since the Group is not held captive of any rigid marketing channel. In short, BENICO is a dynamic enterprise that is pursuing a wide range of opportunities in profitable, specialized lines of insurance.

As alluded to above, BENICO is exceptionally well capitalized, with total insurance-related shareholder's equity of $356.7 million at the end of 1980. While BENICO's rather unique mix of product lines makes comparative analysis difficult, the ratio of premiums written to year end net worth of 1.25 seems particularly strong by traditional benchmarks.

BENICO's net worth and policy reserves are prudently invested, as investment activities continue to follow a conservative strategy, with the portfolio heavily weighted towards high quality ("A" rated or better), fixed income obligations. A breakdown of the investment portfolio, which totaled $850.3 million at December 31, is presented in the table below.

Investment operations in 1980 were marked by somewhat greater commitments to common and convertible preferred equities than in prior years. Particularly substantial investments were made in high-yielding U.S. Government guaranteed bonds such as GNMA and FHLMC issues. Modest net additions were also made to the mortgage portfolio. Mortgage activities follow a particularly conservative course, with most loans made against full coverage, fully amortizing leases of "A" rated or better national credits. Both municipal and corporate bond operations in 1980 were marked by the purchase of shorter maturity issues, as BENICO reduced the average maturity of these portfolios. Also, a high degree of liquidity in short-term instruments was maintained at year end.

Reflecting the BENICO Group's exceptionally strong cash flow and the fixed income strategy, net investment income has increased at a 48% compound annual rate over the past six years. Average gross investment yield has also increased substantially in recent years, and was 9.05% in 1980, up from 7.32% in 1979 (after adjustment for acquired companies).

Insurance Investment Portfolio

(in millions)

at December 31	1980	% Total	1979	% Total	1978	% Total
U.S. Government Securities	$ 97.9	11.5%	$ 63.1	8.3%	$ 1.7	.4%
Municipal Bonds	298.7	35.1	274.0	36.1	216.4	52.6
Foreign Government and Agency Obligations	41.2	4.8	42.0	5.5	26.1	6.3
Corporate Bonds	147.0	17.3	151.7	20.0	85.0	20.7
Preferred Stocks	52.0	6.1	53.7	7.1	32.7	8.0
Common Stocks	43.0	5.1	28.7	3.8	17.8	4.3
Policy Loans	13.1	1.5	12.0	1.6	5.3	1.3
Mortgages	83.0	9.8	81.9	10.8	3.7	.9
Real Estate	9.1	1.1	8.7	1.1	0.9	.2
Short-Term Holdings*	65.3	7.7	43.2	5.7	21.6	5.3
Total	$850.3	100.0%	$759.0	100.0%	$411.2	100.0%

*Chiefly commercial paper and certificates of deposit.

1980 was an extremely difficult year for the savings and loan industry, and First Texas was no exception. For the year, First Texas recorded a net loss of $0.8 million, compared to net income of $13.8 million in 1979. Including non-cash, purchase accounting adjustments of $3.9 million in 1980 and $3.6 million in 1979, First Texas contributed $3.1 million to Beneficial Corporation's net earnings in 1980, down from a contribution of $12.6 million in 1979. First Texas did not become a wholly-owned subsidiary of Beneficial until April 1979, so that Beneficial booked only its equity interest in First Texas' earnings during the first quarter of 1979.

	Loan Portfolio-Average Rate	Overall Cost Of Funds	Spread
December 31, 1979	9.14%	8.42%	+0.72%
March 31, 1980	9.38	9.69	—0.31
June 30, 1980	9.54	10.09	—0.55
September 30, 1980	9.65	9.36	+0.29
December 31, 1980	9.86	9.91	—0.05

For the savings and loan industry with its still largely fixed-rate asset base, sharply rising interest rates exert serious pressure on profitability. Interest rates rose rapidly late in 1979 and in the first quarter of 1980, creating a negative spread on the funding of First Texas' mortgage portfolio. While an equally precipitous decline in rates began early in the second quarter, that decline bottomed out in June. The return to a positive spread at the end of the third quarter was short lived, as interest rates rose sharply again for the rest of the year. While excess liquidity was invested in money market instruments to generate some modest spread on a portion of the earning asset base, this portfolio was not large enough to offset the basic problem of the negative spread on funding the huge $1.4 billion pool of mortgages. The table above illustrates the rapid rise in First Texas' overall cost of funds over the four quarters, and the much slower increase in the weighted average rate on the loan portfolio.

By the end of 1980, money market certificates tied to interest rates on Treasury Bills accounted for approximately 52% of First Texas' savings base, with 40% in six-month certificates and 12% in 2½-year certificates.

However, regulatory and operating changes are in process in the industry to begin to reduce the fixed rate nature of mortgage loan portfolios. First Texas began offering roll-over mortgages during the third quarter. These loans, which were well received by the borrowing public, call for the resetting of the rate charged every 3 years. Very late in 1980 First Texas began offering adjustable rate mortgages, which call for interest rates to be adjusted every six months based on a money market index. These new mortgage instruments will gradually allow First Texas to more closely match asset and liability yields.

Several new services will be offered by First Texas in 1981, foremost of which will be interest-bearing checking accounts ("NOW" accounts). While a more costly service than some bankers believe, NOW accounts will allow First Texas to tap into the huge pool of consumer checking account deposits in a relatively cost-effective manner. First Texas will also experiment with the offering of credit and debit cards in 1981, as well as introducing the use of automated teller machines. Expansion of consumer lending operations is a goal for 1981, but only if the Texas legislature grants a material increase in the interest rate ceiling on these loans.

In August a definitive agreement was signed for the purchase of Centennial Holding Company for $18.6 million in cash and convertible notes. Centennial is a holding company for Centennial Savings Association, which operates 15 savings and loan branches in Texas—chiefly in the Beaumont, Amarillo, and Temple areas. With $319.6 million in assets at year end, Centennial further broadens First Texas' statewide presence. Finalization of the purchase is contingent upon approval by the Federal Home Loan Bank Board. Upon completion, First Texas will have assets of approximately $2 billion and will serve the people of Texas through nearly 80 offices in 41 cities.

Texas remains one of the most rapidly growing, dynamic state economies in the nation. Moreover, prospects for enhancement of savings and loan penetration and profitability appear particularly attractive, even relative to other fast-growing states such as California, given the less mature development of the savings and loan industry in Texas. In the future, First Texas will be a leader in capitalizing on these opportunities.

Improved net income is expected for Western Auto in 1981 as management moves to reestablish strong retailing direction and identity for the company.

Looking with historical perspective, it is apparent that Western Auto Supply Company has gone through several distinct stages in its long history. Essentially, the company has changed directions in every decade. And, in fact, recent experience to the contrary, the company grew and prospered for most of its history by reacting to changing market conditions and opportunities. While the past decade has been steadily more disappointing, Western did quite well for many years previously.

Beginning with its founding in 1909 as a Kansas City auto parts house, the thrust was mail order. In the 1920's the development of a network of stores brought Western into chain store retailing. The 30's brought a new concept, wholesale merchandising through the franchising of associate stores. Significant expansion of product lines and merchandise offerings came in the 1940's, in an attempt to serve the consumer's wants and needs during that era of a general shortage of consumer goods. In the relatively tranquil '50's and '60's the company stressed expansion, growing to significant national proportions. Finally, in the 1970's Western focused its attention on operational improvements, and vastly upgraded the quality and efficiency of its distribution center network.

Unfortunately, as is only too apparent, the 1970's also saw a huge loss of market share and significantly declining profitability as Western lost its merchandising focus. In the late 1970's Beneficial Corporation's management stepped in aggressively to solve the subsidiary's problems. Of utmost importance was the attraction of a new, high quality management team from the outside that would refocus the resources of the company on the key merchandising issues that are critical to success in the competitive retail markets of the 1980's. That top caliber team is now firmly in place.

Most significantly, the trend of declining profitability has been reversed. Western Auto's 1980 net income reached $4.8 million after a special aftertax charge of $1.3 million assessed in establishing a reserve for customs duty claims for prior years, compared to a net loss of $4.6 million in 1979. In 1979 net special aftertax charges of $4.8 million were incurred, primarily for the closing of 116 company-owned stores. It should also be noted that 1979 results include $4.2 million in net profits from Western Acceptance Company (WAC), Western's finance subsidiary that was transferred to Beneficial Corporation at the end of 1979 by means of an intercorporate dividend. In 1980, WAC's net earnings of $1.5 million are included in the operating results of Beneficial Corporation.

Western's net sales and other revenue (including finance revenues related to credit sales) of $669.5 million declined 10.8% in 1980 primarily as a result of the closing of the 116 company-owned stores and the transfer of ownership of WAC to Beneficial Corporation. However, the significant slowdown in consumer retail spending that prevailed for most of the year also impacted results, as total retail merchandise sales fell 10.2% to $159.0 million and wholesale merchandise sales fell 8.6% to $466.6 million. Not surprisingly, associate store owners become quite cautious in their ordering patterns during turbulent economic times such as prevailed in 1980. Nevertheless, despite the economy, it should be noted that comparable store sales for Western's retail stores remaining open in 1980 increased 4.2% over the 1979 total. This improvement in retail operations—Western's long-time major operating problem—is particularly encouraging.

Generally, the 1980 improvement in bottom line results was achieved as a result of improvements in operating expense ratios. Early in 1980 an aggressive cost-cutting program was launched to make the company a cost efficient merchandiser. Significant reductions were achieved in many areas, but especially in retail salaries, advertising, distribution expenses, and administrative costs. Further improvements are anticipated in 1981 as the company continues to emphasize operating efficiencies built around a well-defined budget program.

Of strategic importance for the future, a long-range plan has been developed to reverse the previous trend of declining market share. For the company-owned retail stores, the Kansas City area has been selected as a test market for a well-defined retailing concept that brings the company back to its key identity—merchandising to the automotive aftermarket. While 1981 results should provide conclusive evidence, initial indications are that the prototype Western Auto retail store of the future will center its offerings on automotive supplies and service, with the elimination of nearly all peripheral product lines. In the wholesaling business, a broader array of products will continue to be offered, as Western strengthens its ties with its family of independent merchants.

Improved net income is expected for Western in 1981 as management moves to reestablish strong retailing direction and identity for the company. As each past decade for Western has been characterized by one outstanding theme, so will the present decade. For Western Auto in the 1980's that thrust will be what must be the central mission of any successful retailer—Merchandising.

1980 was a difficult year for Spiegel, as it was for most retailers. The combination of recession, inflation, and high interest rates seriously impacted both sales and profitability. Spring season sales for Spiegel were particularly weak in reaction to the precipitous imposition of Federal credit restrictions in March. The psychological shock effect of the Presidential proclamation appeared to shatter the already weakening state of consumer confidence.

Thanks to a noticeable recovery in fall merchandise sales, Spiegel's full year net sales and other revenue declined only 3.5% to $412.0 million from $426.8 million in 1979. However, reflecting the highly leveraged nature of a catalog retailing operation, net income fell sharply, declining to only $0.8 million from $8.1 million in 1979. Increased interest expense exerted a particularly significant drag on profitability, climbing 40.7% to $37.7 million from $26.8 million in 1979.

Despite the disappointing operating results, Spiegel continued to make progress in the implementation of its basic, long-range strategy. While the total customer list shrank slightly, important additions were made to the customer base in the targeted $25,000+ income category. The efficiency and timeliness of customer service continued to improve, and error rates on orders were reduced. Operating expenses were kept under close control, despite renegotiation of the union wage/benefit package, which increased 1980 expenses by $2.9 million. Finally, of perhaps the most significance, Spiegel's gross margin improved noticeably in 1980 to 37.6% from 36.6% in 1979. However, the sluggish sales comparison and sharply increased burden of interest expense negated the benefits of the improvement in this key ratio.

Despite the disappointing operating results, Spiegel continued to make progress in the implementation of its basic, long-range strategy.

Credit quality in Spiegel's significant consumer receivables portfolio remained good, despite the particularly negative climate for consumer lending during 1980. Reflecting significantly increased consumer bankruptcies, consolidated net charge-offs rose to $24.0 million from $18.1 million in 1979. However, portfolio delinquency decreased slightly, to 3.8% at the end of 1980 from 3.9% at December 31, 1979. At year end, consumer receivables of Spiegel's merchandising activities totaled $358.8 million, up 1.7%, while notes receivable of Fairfax Family Fund were $94.4 million, a decline of 18.5%. Fairfax, Spiegel's subsidiary which makes unsecured personal loans by mail, contracted operations during most of the year in line with Beneficial's overall consumer finance strategy. At year end, Spiegel's consolidated reserve for credit losses totaled $28.9 million, or 6.3% of the portfolio.

Spiegel remains committed to its basic merchandising strategy and business plan. Progress continues, albeit slowly in some areas, in the long-term turnaround of this one-time severely troubled company. While 1981 profits are not expected to recover to the 1979 level, significant improvement over 1980 results is anticipated.

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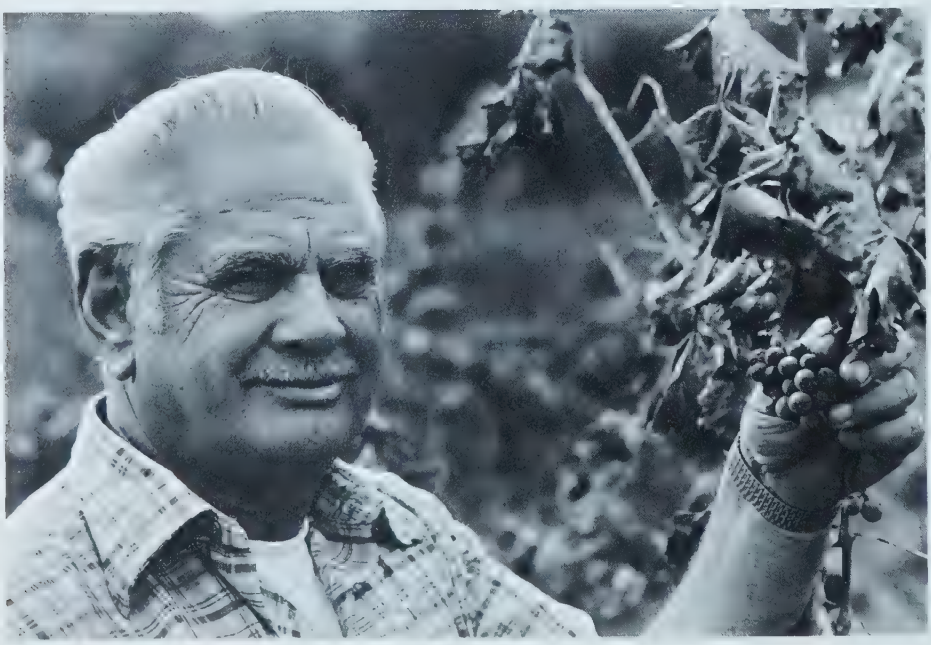
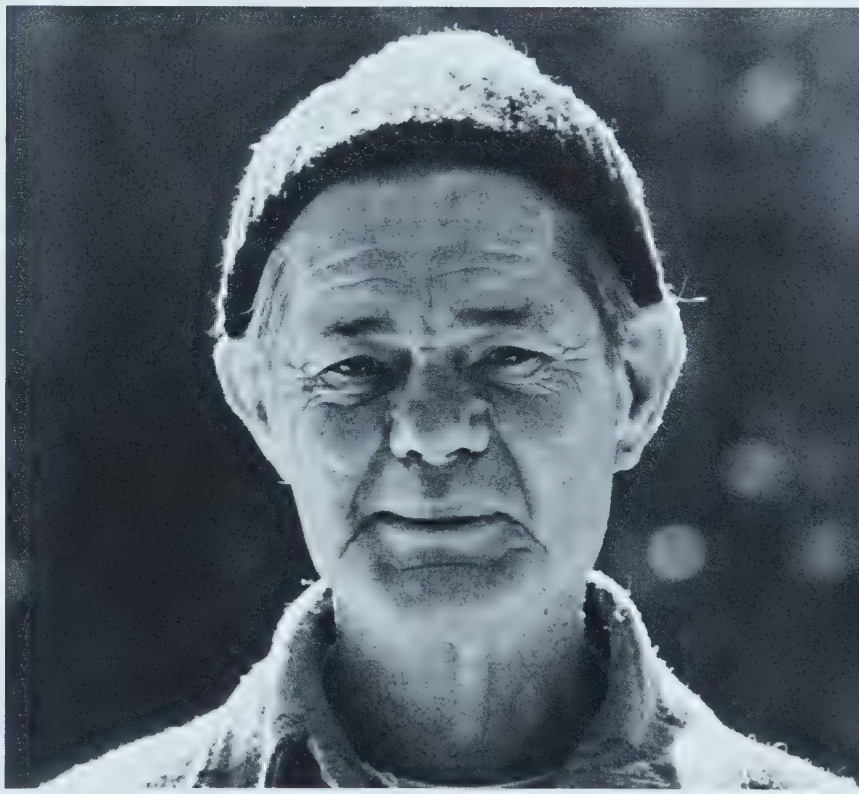
Beneficial Today
A Personal Documentary

A Story of Faces and Feelings




PAHSE TOPAH



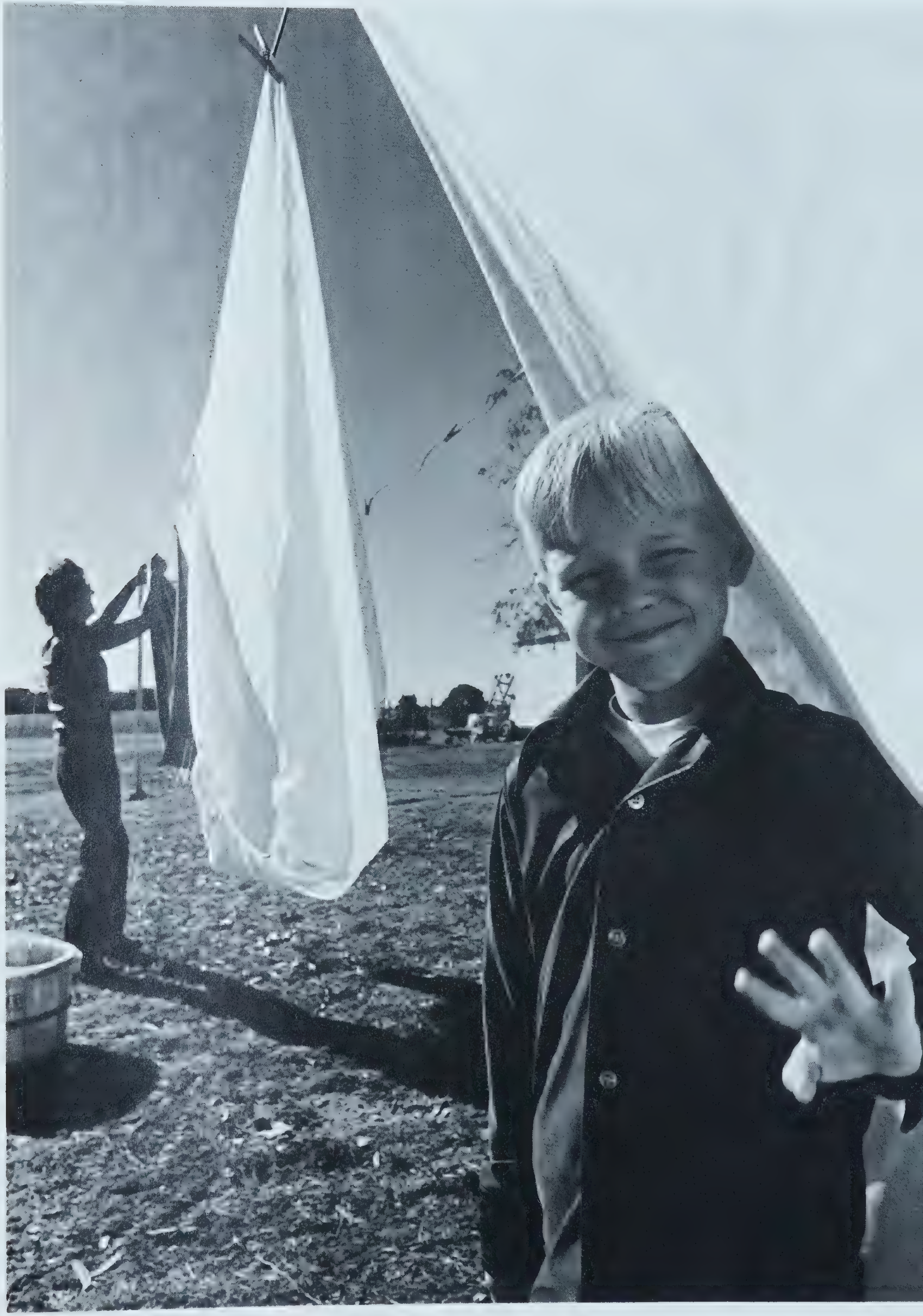
Edward Steichen, the dean of American photographers, was once asked to explain why his famous exhibit, The Family of Man, *had been such a worldwide success. "The people in the audience looked at the pictures," he replied, "and the people in the pictures looked back at them. They recognized each other." It is this instant of recognition which is the hallmark of a great portrait. In the photo essays on the pages that follow, you will meet thirteen Beneficial customers, and will find a bond of common feeling that unites us with them. It is here that photography get closest to what Steichen calls its highest mission—"explaining mankind to man and each man to himself."*

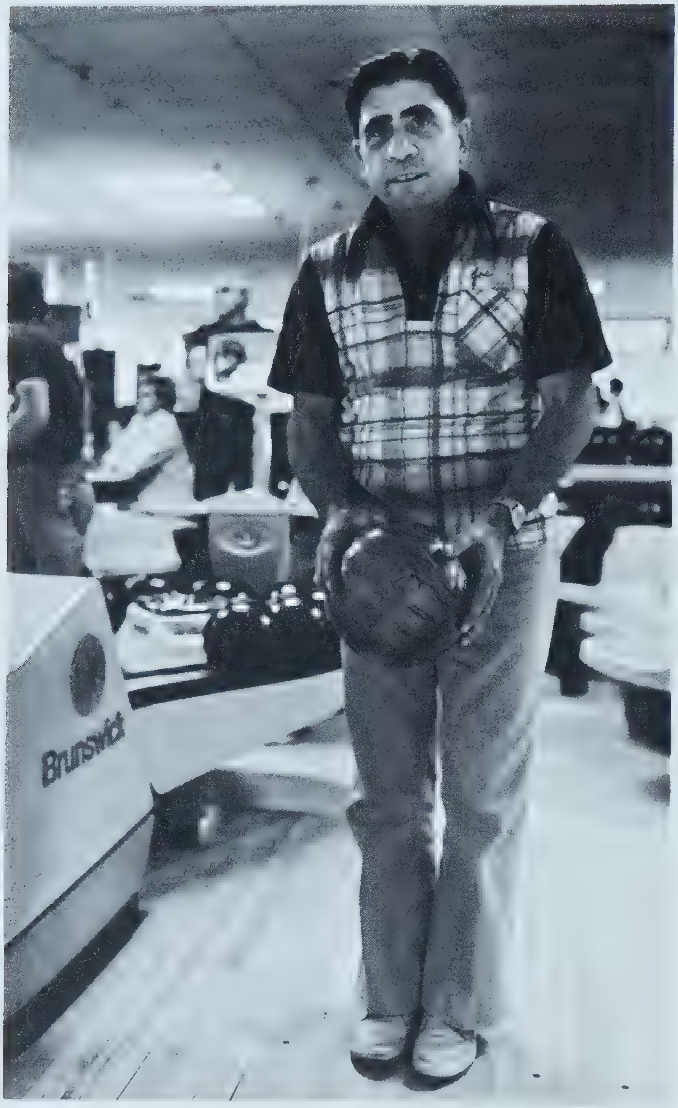
These thirteen Americans—along with their families, friends and colleagues—represent a sampling of the Beneficial customer of today. They spring from the broad spectrum of the American middle-class, which is the cornerstone of our Company's business.

Near Tulsa, in Bristow, Oklahoma, for example, we see Fred and Linda Covey, right, *on their twenty acre farm, which they financed by calling on Beneficial. Their children, Fred Jr., 11, and David, 7, conjure images from the American scrapbook—freckles, dimples, growing pains, boundless energy, and a giant Saint Bernard for a pet. The Covey's way of life makes us aware of the basic human similarities of Beneficial customers throughout the world—in the United States, Canada, Australia, the United Kingdom, Ireland, Japan, New Zealand and West Germany—individuals from virtually every living style, occupation, profession and income group.*

We are proud to present here for the first time, in our 1980 annual report, engrossing portraits of thirteen of them who are being served by Beneficial.

David Covey, 7, has more expressions per square inch of face than anyone you have ever seen. His older brother Fred Jr., 11, is his "really good friend." Their mother, Linda, works full-time at a local variety store, and their father, Fred, is a machinist for Rockwell International. The Coveys, who have been Beneficial customers for four years, own six pairs of farm animals. The males are called "Benny," and the females, "Ficial."





Joseph and Eleanor Messina, BENICO Insurance ordinary life policyholders, live in Colonia, New Jersey. A retired postal worker, Joe is an accomplished shoemaker, a trade he inherited from his father. His finished basement doubles as a shoe repair shop. He also enjoys winning bowling trophies with his sons, frequent family get-togethers, hearty Italian dinners and good conversation.

Grandson, Jason Messina, 2, has his own workbench. Impish, outgoing, adventurous, a constant parade of grimaces, gestures and smiles flicker across his face like the play of light on water. He has a real desire to understand how shoes are repaired.

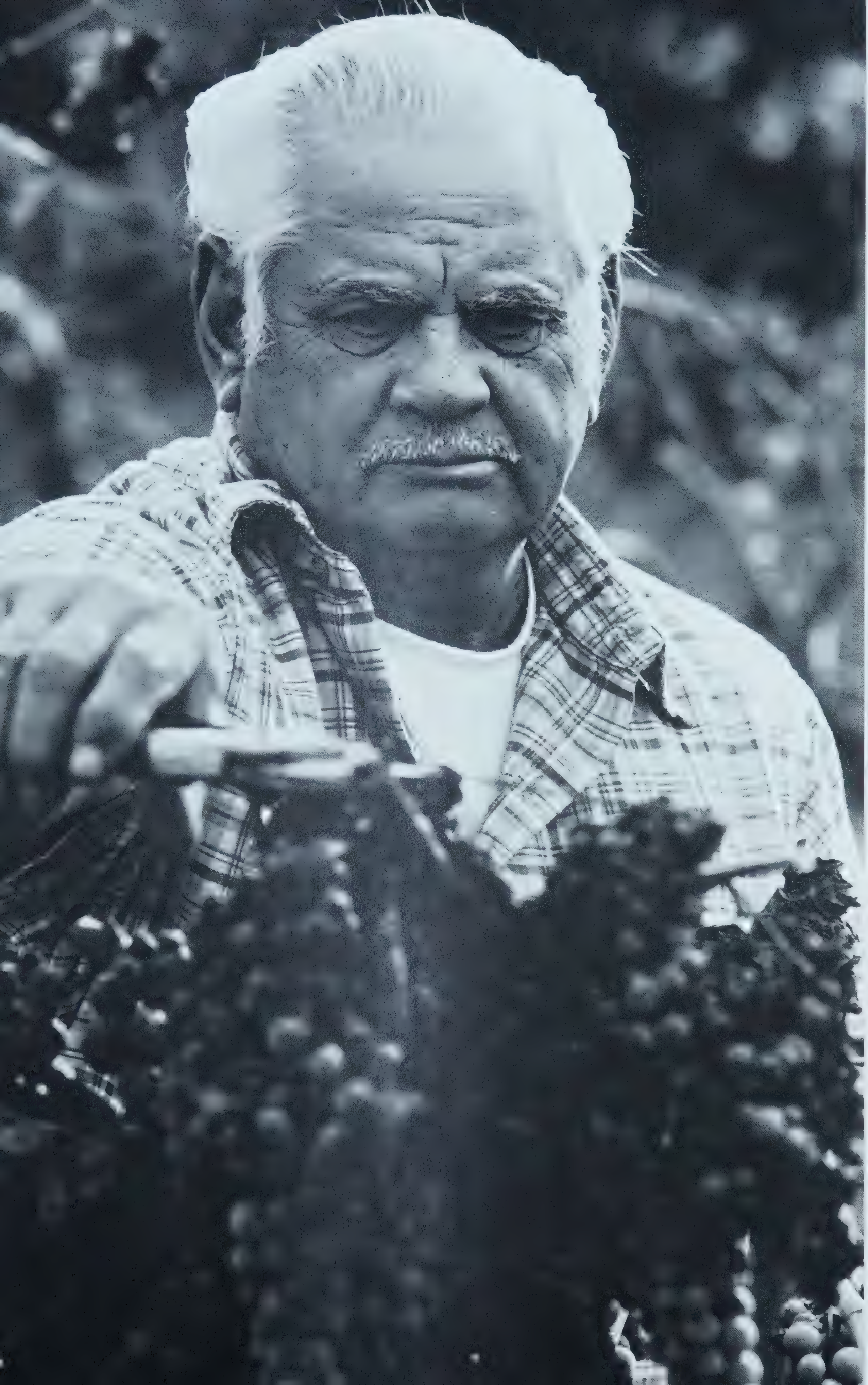
What photography does best, when successful, is suggest imagination by dealing with the actual. Its subtlety is its exactitude, and the greatest photographs are those in which the photographer practices the keenest fidelity to his subjects.

The photographer must concentrate on what Henri Cartier-Bresson calls the "decisive moment," to capture, for example, the power and determination of Michael J. Paoli, right, *as he begins harvesting the grapes which grow at his command in California's Redwood Valley.*

Redwood Valley is in the wine country of Ukiah, and it is here that Michael and his wife, Virginia, Beneficial customers since 1962, have watched their children and their grapevines grow sturdier each year for the last 42 years.

On pages 28 and 29, the camera captures Lena Medugno's vulnerability and invincibility. Her face could easily grace the cover of a fashion magazine, yet she comes across unmistakably as an American breadwinner, a businesswoman driving hard to make her business successful. One also senses her determination to overcome professional obstacles which she acknowledges but does not easily share.

We get an intriguing glimpse of America's oldest ethnic heritage in Paul Pahse-Topah, an Osage-Cherokee, and his son, Michael, a ceremonial "Fancy Dancer," on pages 30 and 31. Paul is a well-known American Indian artist. In Paul and Michael's faces we see the penetrating expressions of a proud and cultured people, who, nearly a century and a half earlier, established a public school system, opened two seminaries for higher learning, and began publishing and printing Oklahoma's first newspaper, the Cherokee Advocate, *in English and Cherokee.*



Lena Medugno started a boutique from scratch and made a success of it in one year.

She used a loan from Beneficial to help pay her first business bills. She began by selling handmade scarves, and her initial $3,000 inventory was soon depleted. As her reputation and revenues grew, she opened new and larger quarters at Dock Square Mall in Rockport, Massachusetts. She has continued to prosper over the years.

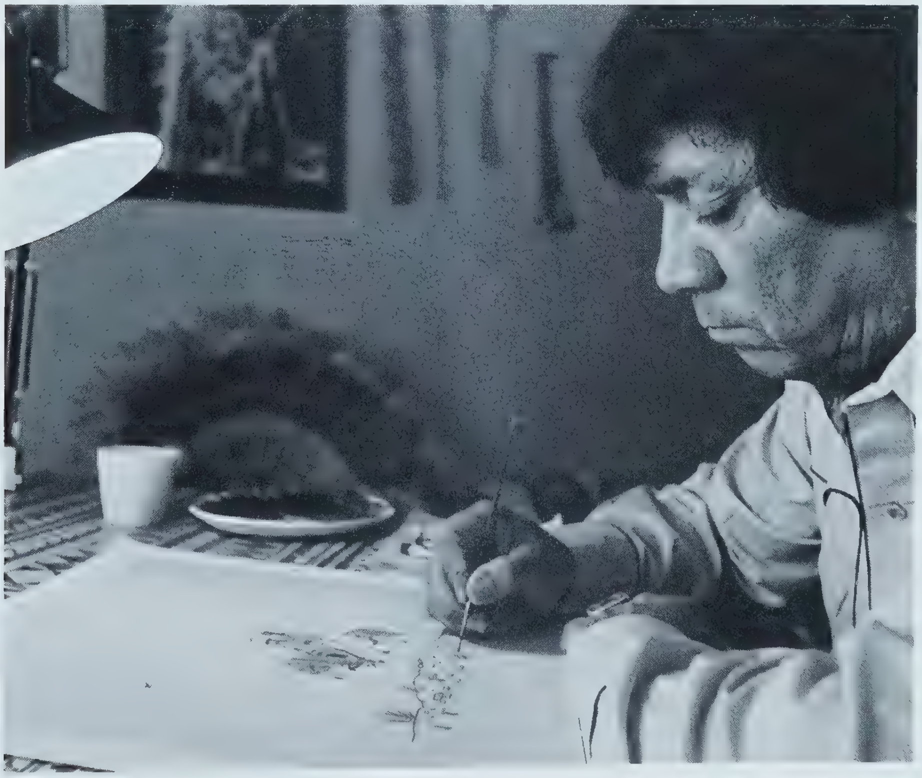
Now, she is planning a second boutique at a new location with her 25-year-old married daughter. The local bankers have offered expansion capital.

"I told them 'no thank you'," says Lena. "They had no faith in me then, and I have no faith in them now. My loyalty is with Beneficial."

Paul Pahse-Topah is a native American artist who, with his son, Michael, practice their ancient skills in a modern, sprawling ranch house in Sapulpa, Oklahoma.

Pahse-Topah means four peaks, and refers to the descent of buffalo who formed four lines as they came down from the Osage hills. The humps of buffalo, symbolized as four peaks, form part of Paul's artistic signature.

Indian arts and skills enrich—and indeed are part of—the lives of Paul's family. Michael Pahse-Topah, a "collected" painter like his father, was acclaimed a "head dancer" last summer by local tribes at their weekend powwows. A high honor for a young Indian, he was expected to reciprocate with gifts to friends and relatives. Paul borrowed from Beneficial to assist his son in buying the gifts.



To Herman Lutz, America was "the golden door." He came to our shores under sponsorship in 1963 and settled in Oklahoma City. He borrowed from Beneficial to send for his wife, Doris, a year later. They opened Oklahoma's only German restaurant.

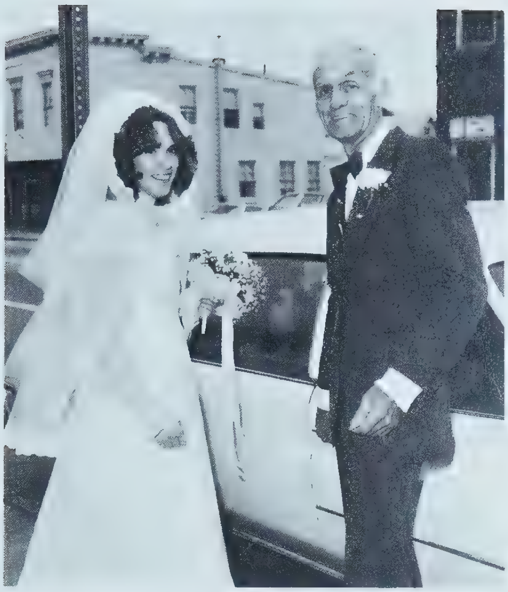
Herman and Doris Lutz today continue as Beneficial customers. They call on Beneficial for their financial requirements, including education loans for their two daughters.

The Lutzes are in the mainstream of the American consumer economy. Being ready and willing to serve them and others like them is the cornerstone of our business, and the source of our market franchise. Through more than 2,250 offices, Beneficial subsidiaries extend virtually every type of consumer credit; unsecured personal loans, second mortgages, first mortgages, credit card loans (including our own proprietary "Bencharge" card and also VISA and Master Card), revolving credit (including check overdraft facilities), and sales finance.

To Kenneth and Edith Taylor, on pages 34 and 35, who used Beneficial funds to pay for their daughter's wedding, and James and Mildred Faulkner, on the following two pages, who enlarged their seafood market with a business loan, Beneficial means an ever broader source of financial services. No longer a small loan lender of last resort, Beneficial Corporation is now a diversified financial services giant with total assets exceeding $8 billion.

The Lutzes, the Taylors, the Faulkners are an integral part of Beneficial's customer base, both here in the United States and abroad. They are the 25- to 50-year-olds, who mostly own their own homes or a small business. They can borrow anywhere—at any commercial bank—but like our boutique owner, Lena Medugno, portrayed on page 28, their loyalty is with Beneficial.

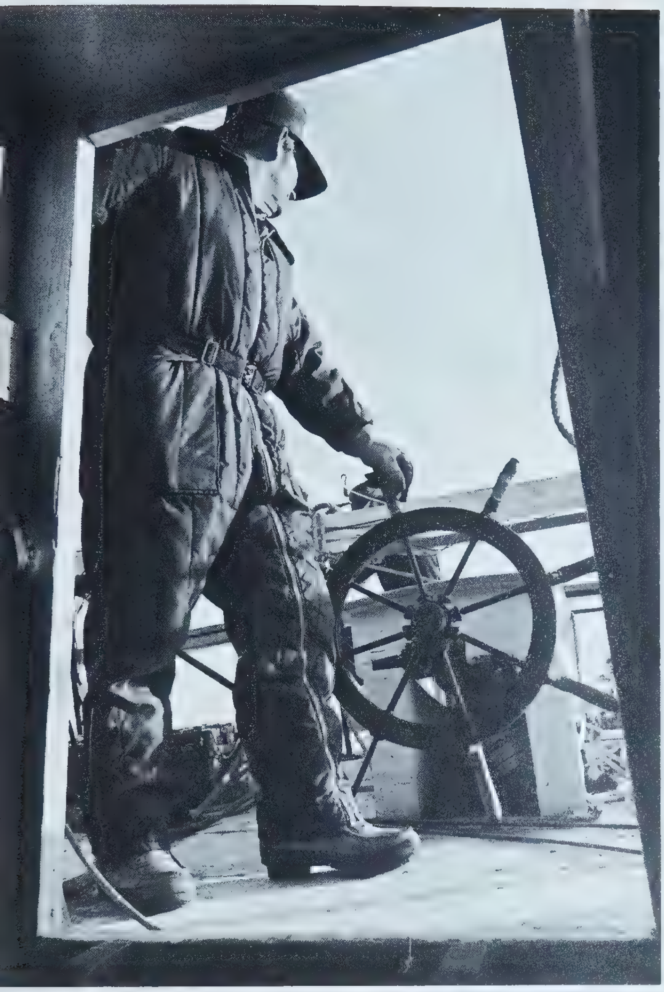

GERMAN
FOOD
Edelweiss
House

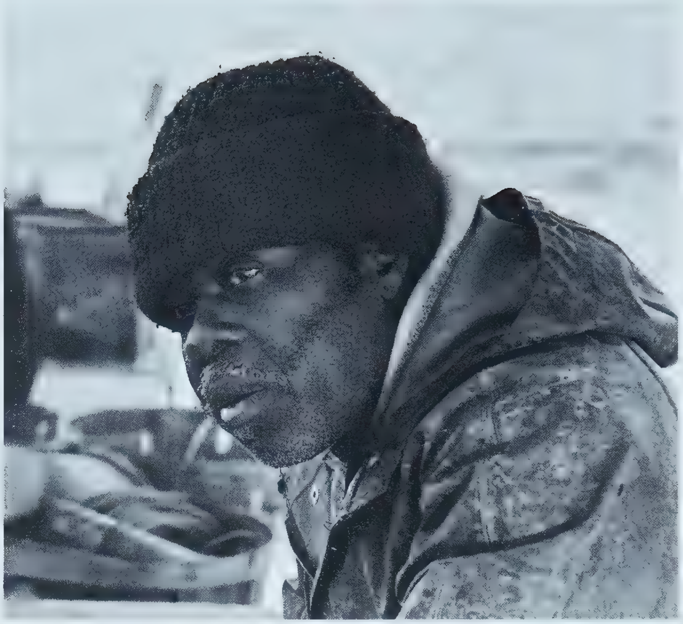


Kenneth and Edith Taylor of Baltimore honored Beneficial by inviting us to the wedding of their daughter, Linda, 19, to James Bosley, 25.

We shared with the bride's parents and the young couple the moments of jubilation of the wedding day; first at the Handen United Methodist Church in Baltimore, and then at the reception which followed at a local VFW Post.

The pictures on these pages beguile us with their gentleness and simplicity, for they have all the freshness of family snapshots. They tell us of things we all know and can share—family joy—and of the strength two people can find in each other.





James Faulkner and his wife, Mildred, own Faulkner's Seafood in Tilghman, Maryland, a tiny picture postcard fishing village on Chesapeake Bay.

Jim Faulkner and his crew leave the shore behind them every morning before dawn and dredge the cold waters along Maryland's jagged coast for oysters and crab. His crew members spend nearly every minute on their knees beside the rail, laboriously separating bluepoints, one by one, from the rocks and mud and empty shells their dredge brings up.

This is hard, cold work, but Jim and his men love the sea and their boat, a skipjack with a massive boom that is a member of the last fleet of working sailboats in the United States.

George Bernard Shaw, the most celebrated agnostic of the century, remarked: "There is only one religion, but a hundred versions of it." Faith, whether in God or gods, remains an impregnable fortress to those who find meaning and solace within its walls.

For many American churchgoers, though, a Sunday sermon is something merely to be endured. "The chilling of the Word is a major contributor to the evident malaise in many a large congregation today," one Protestant theologian recently lamented.

But to Lila M. Wingate, Bishop of the Pentecostal Assembly Church of Charlottesville, Virginia, the pendulum is swinging back in favor of preaching. Indeed, she is one of its most splendid practitioners. Week after week, year after year, for the last twenty years, she has enthralled her followers with a unique blend of handclapping old-time religion, solid sermons, skillful delivery and a sense of overwhelming conviction.

Faith has shaped Lila Wingate's life. Only 40, her church has soothed the pain of widowhood and given her the emotional wherewithal to raise eight children. A son and a daughter are ministers, and all are involved with Sunday school and the choir.

Lila Wingate has had a "lifelong romance with the Word."

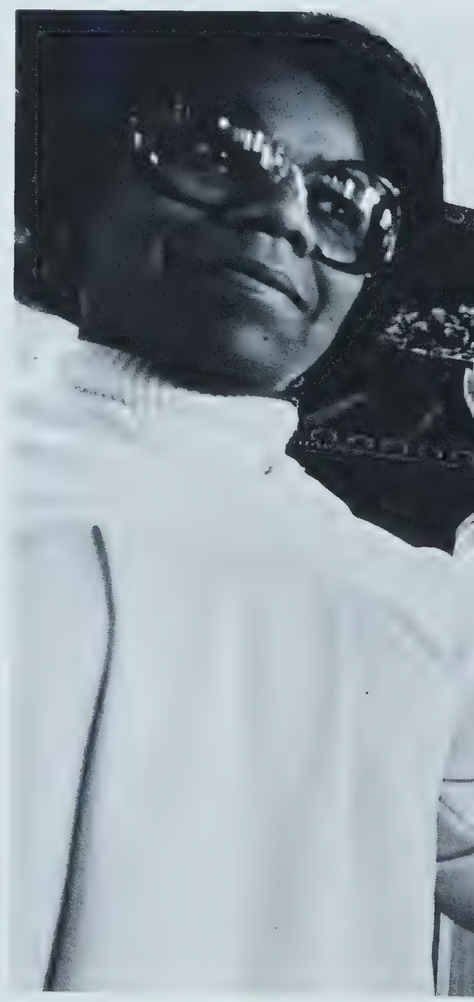
"The Christian Gospel," she tells her flock, "gives us the strength we need to win through."

"Are ya'll listenin' to me?" she asks, chopping the air with her hands to emphasize her question.

The crowd joins in, until the Pentecostal Assembly Church of Charlottesville, Virginia, hums with the sounds of loving worship.

Lila Wingate has been a Beneficial customer for the last ten years. She has borrowed many times from us to fix up her home and her church. She is a rare spirit, a bedrock, who believes that preaching, like poetry, should "leave the listener in the presence of God."

The church is her life: church suppers, church socials, choir practice, Bible classes, and every Friday night, evangelistic services, where parishioners are given the opportunity to preach, like Christ, "the Gospel of the kingdom."



We began our first essay with a quote from Edward Steichen, and would like to invoke his wisdom again in our last.

"The easiest subjects to photograph," he said, "are the very young or the very old, the reason being that these delegates from the beginning of life and the end of it care little about vanity."

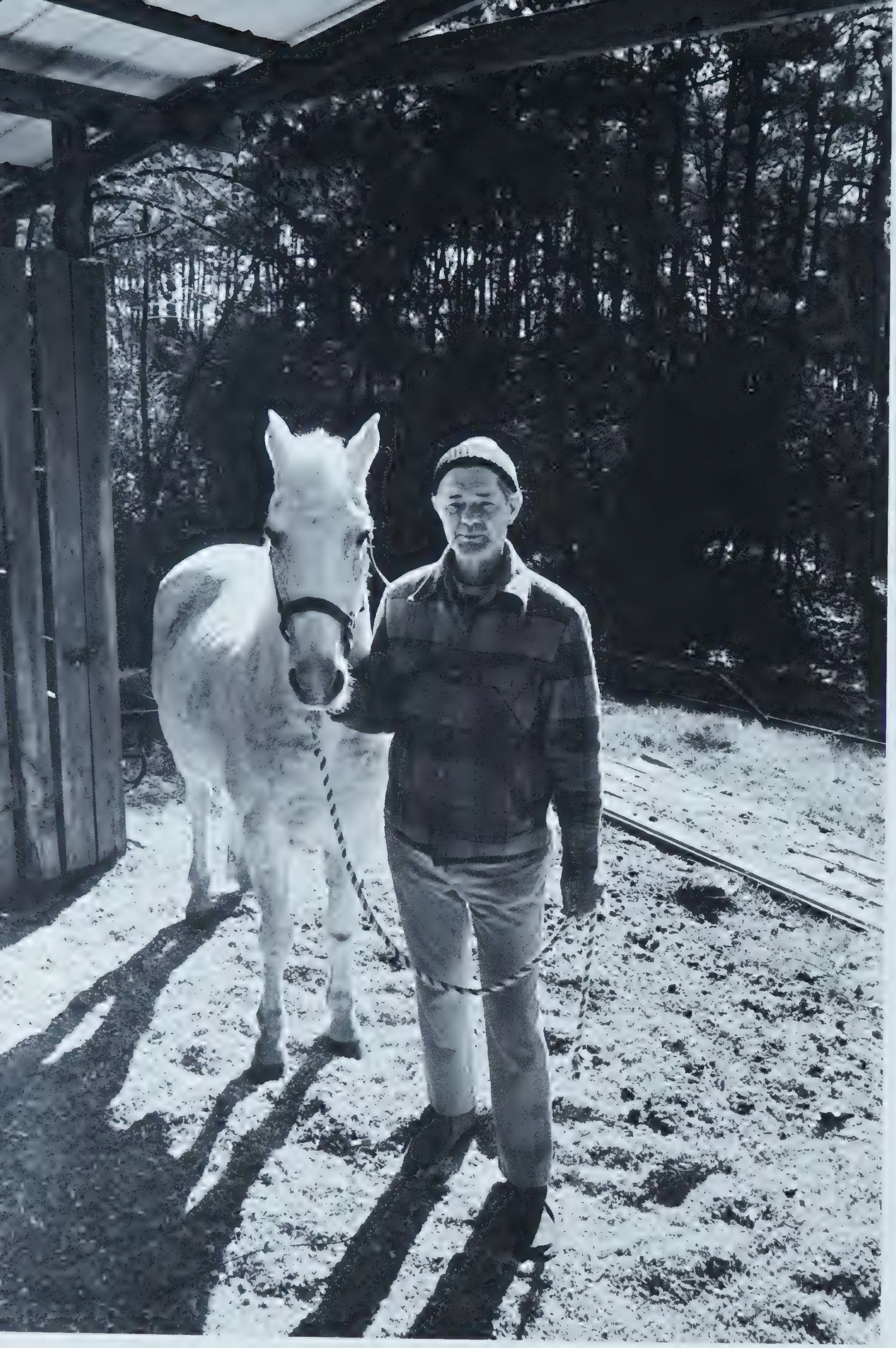
We behold on the opposite page the luminous countenances of Kimberly Griffin, 8, and her brother, Kevin, 12. Both are Roman candles of youngsters and the owners of faces that could be used in acting classes to teach emotions and expressions.

Their parents, Charles and Nancy Griffin, are BENICO insurance policyholders. Charles, a New Jersey State Trooper, and Nancy, a former nurse, live in Neptune-Wall Township, New Jersey, a place Stephen Vincent Benét could easily have had in mind when he wrote: "I have fallen in love with American names."

Van Horn Arabian Farms is another name that conceivably could have found its way into Benét's bones and bloodstream. The land belongs to Joe Van Horn, a Beneficial customer from Decatur, Georgia. On it, he breeds, boards and trains high-spirited Arabians. His commanding presence and those of his kinetic horses reveal themselves in a series of arresting photographs on pages 44 and 45.

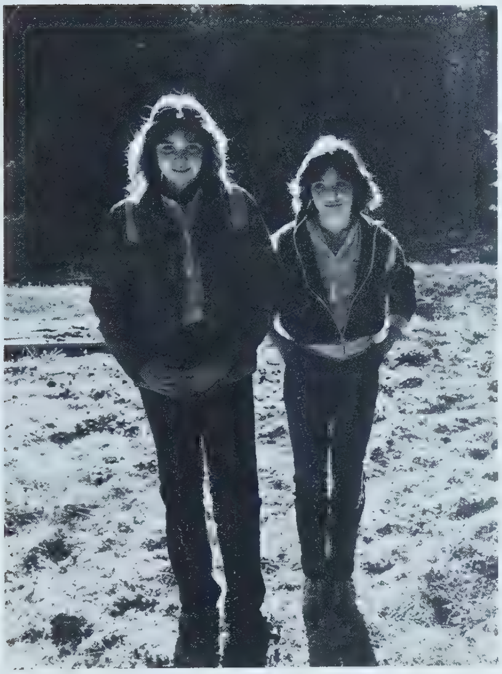
Sandra Slattery, 26, whose photo essay appears on the succeeding two pages, is an Emergency Ambulance Medical Technician in Milford, Massachusetts. She is studying to become a Registered Emergency Nurse with the proceeds of a loan from Beneficial.

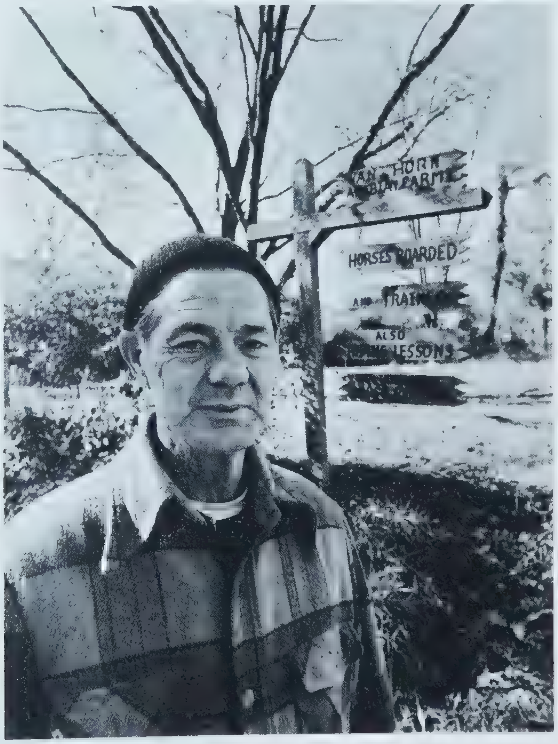
Her driving ambition, her look of determination, mask an old fashioned gentleness, a sense of intimacy and tenderness. She is a product of her times, an upwardly-mobile professional young woman.



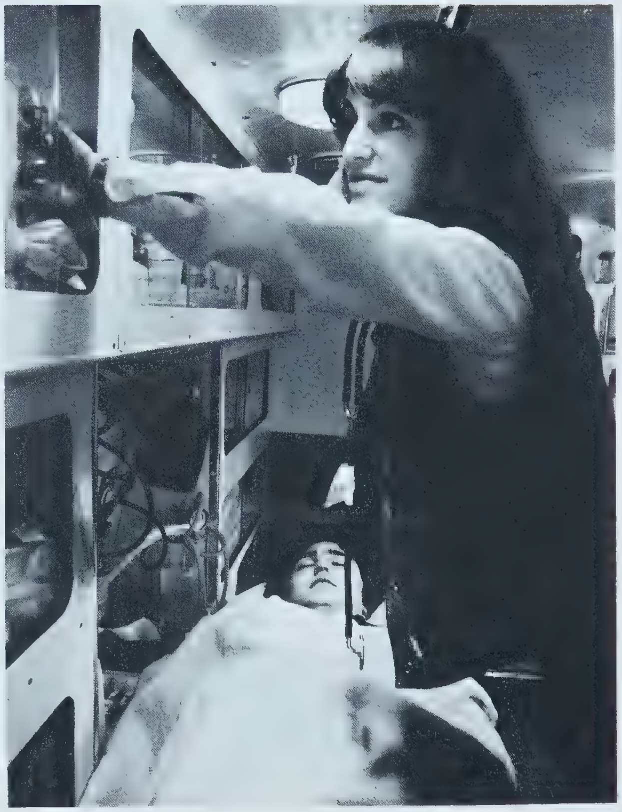
When Joe Van Horn first came to Decatur, Georgia in 1958, the land conjured up timeless images of America's past: lush green landscapes, the churning torrents of a mountain stream, the copper leaves of autumn, and homesteads glimmering in the dusk. Today, bustling Atlanta is at his doorstep.

By calling on Beneficial, he has borrowed the money to rebuild and expand his facilities, where he breeds, boards and trains his sturdy, excitable Arabians. Developed by the Arabs for use in the desert, these powerful, strong-legged creatures are used by Joe Van Horn to create entirely new breeds, particularly for Thoroughbred horseracing.




HORN
HORSES BOARDED
ALSO
LESSONS

Beneficial and Sandra Slattery have been very special friends. We provided money to pay for plastic surgery after a bad car accident a few years ago. After she left the hospital, she closed her electrolysis business and decided to pursue a new career as a medical technician. She used Beneficial's services to pay her tuition, buy her books and the expensive equipment she now uses in her present job in Milford, Massachusetts, as an Emergency Medical Technician-Ambulance. Now she is studying to become a Registered Emergency Nurse. We are proud to present this photo essay about this star pupil and boast of her achievements.




AMBULANCE

Photographs by Donald R. Spiro

Thomas and Linda White and their children live in a 125-year-old Victorian mansion in Winnsboro, South Carolina, which they have rebuilt with a Beneficial home improvement loan. They and their handsome family pose on its imposing stairway on the cover of our photo essay.

Winnsboro has never had to make way for progress and therefore has never had any reason to tear down its stately eighteenth century houses. They are still there, standing in tasteful rows under ancient elms. The pretty buildings of its quiet past make it a serene setting for Thomas and Linda White, their children, their friends and neighbors. Winnsboro may be one of America's loveliest towns, because progress, fortunately, has passed it by.

Financial Section

Beneficial Corporation and Consolidated Subsidiaries

Balance Sheet

(in millions) December 31	1980	1979
Assets		
Cash (Note 3)	$ 55.2	$ 52.5
Finance Receivables (Note 4)	4,763.1	4,979.4
Less Unearned Finance Charges	(510.2)	(715.4)
Principal of Finance Receivables	4,252.9	4,264.0
Less: Reserve for Credit Losses	(194.8)	(203.7)
Insurance Policy and Claim Reserves Applicable to Finance Receivables	(139.2)	(154.3)
Net Finance Receivables	3,918.9	3,906.0
Net Receivables Acquired from Western Auto (Note 4)	118.3	165.7
Acquired Assets to be Divested (Note 17)	—	188.5
Investments (Note 5)	1,015.2	861.3
Receivable from Merchandising Division (Note 6 and Page 75)	82.7	102.0
Equity in Net Assets of Non-Consolidated Subsidiaries		
Savings and Loan Division (Note 17 and Page 67)	60.1	55.7
Merchandising Division (Page 75)	274.8	271.3
Other	6.6	6.4
	341.5	333.4
Property and Equipment (at cost, less accumulated depreciation of $31.4 and $34.0)	132.0	67.0
Other Assets (Note 7)	366.4	351.8
Total	$6,030.2	$6,028.2
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 8)	$ 814.4	$ 974.4
Deposits Payable	94.0	94.5
Accounts Payable and Accrued Liabilities (Note 9)	283.2	242.4
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	418.3	358.7
Long-Term Debt (Note 10)	3,336.0	3,324.7
Total Liabilities	4,945.9	4,994.7
Redeemable Preferred Stock (Note 12)	125.0	103.0
Other Preferred Stock (Note 11)	116.4	116.6
Common Stock (60.0 shares authorized, 22.2 and 22.1 shares issued and outstanding) (Note 11)	22.2	22.1
Additional Paid-in Capital (Note 10)	62.0	61.8
Net Unrealized Loss on Equity Securities (Note 5)	(17.7)	(13.2)
Retained Earnings (Note 10)	776.4	743.2
Total	$6,030.2	$6,028.2

See Notes to Financial Statements.

Beneficial Corporation and Consolidated Subsidiaries
Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1980	1979	(in millions)	1980	1979	1978
		Finance Division			
$337.3	$271.1	Revenue	$1,323.2	$982.9	$769.5
		Expenses			
102.1	74.5	Interest (Notes 1f and 18)	395.4	243.8	162.4
49.8	45.3	Salaries and Employee Benefits	203.6	164.6	132.5
31.8	37.7	Provision for Credit Losses (less recoveries)	107.2	102.4	70.9
63.6	45.8	Insurance Benefits Provided	228.1	136.0	86.7
58.5	48.4	Other	232.1	179.8	140.7
305.8	251.7	Total	1,166.4	826.6	593.2
31.5	19.4	Operating Income	156.8	156.3	176.3
(.8)	(1.0)	Foreign Exchange Gain (Loss) (Note 1e)	(2.0)	.6	(2.2)
30.7	18.4	Income Before Income Taxes	154.8	156.9	174.1
7.8	6.5	Provision For Income Taxes (Note 14)	54.0	57.3	72.6
22.9	11.9	Income From Finance Division	100.8	99.6	101.5
1.6	4.3	Income From Savings and Loan Division (Note 17)	3.1	12.6	2.5
6.6	1.4	Income From Merchandising Division (Page 76)	5.6	3.5	4.3
(4.1)	(3.9)	Interest Expense, After Income Taxes, Related to Investment in Non-Consolidated Subsidiaries (Notes 1f and 18)	(15.5)	(14.6)	(10.0)
27.0	13.7	Net Income	94.0	101.1	98.3
764.1	743.8	Retained Earnings, Beginning of Period	743.2	692.9	637.5
791.1	757.5	Total	837.2	794.0	735.8
		Dividends on Capital Stock			
3.8	3.4	Preferred	17.1	8.2	5.8
10.9	10.9	Common	43.7	42.6	37.1
14.7	14.3	Total Dividends	60.8	50.8	42.9
$776.4	$743.2	Retained Earnings, End of Period	$ 776.4	$743.2	$692.9
		Earnings Per Common Share (Note 16)			
$ 22.8	$ 11.1	Earnings Available for Common Stock	$ 76.9	$ 94.3	$ 92.6
22.3	22.2	Average Outstanding Shares	22.3	22.2	22.1
$ 1.02	$ .49	Net Income	$ 3.45	$ 4.24	$ 4.19
$ .50	$ .50	Dividends Per Common Share	$ 2.00	$ 1.95	$ 1.70

See Notes to Financial Statements.

Introduction

1978 and 1979 were years of rapid growth for Beneficial Corporation. During this two-year period assets grew from $3.3 billion to $6.0 billion. The number of consumer finance offices grew from 1,890 at December 31, 1977 to 2,399 at December 31, 1979. The acquisitions of Capital Financial Services Inc. and Southwestern Investment Company contributed significantly to consumer finance growth during the period. The Company also acquired several insurance companies which contributed to the expansion of the Company's Insurance Group. The acquisition of First Texas Financial Corporation resulted in the creation of the Savings and Loan Division. Net Income for the year ended December 31, 1979 rose to a record $101.1 million. However, due to the high levels of interest rates, inflation, effects of the Federal Bankruptcy Act of 1978 and the recessionary economic conditions experienced during 1980, net income decreased $7.1 million.

1980 was a period of consolidation for the Company's finance operation. Emphasis was placed on expense control and receivable contraction in order to digest the growth of recent years. Principal of finance receivables declined $11.1 million from $4,264.0 million at December 31, 1979 to $4,252.9 million at December 31, 1980, despite an increase of about $600 million in high-quality real estate secured loans. The Company's strategy emphasized reducing the number of smaller unsecured loans and increasing investment in secured, larger, more profitable loans. The Company closed 195 of its least profitable offices during the year as part of its expense control program, while 54 offices were opened in locations with more promising profit potential. These steps were taken for the purpose of improving profitability in 1980 and beyond.

Results of Operations

Finance Division revenue has increased substantially in the last three years. Both the Consumer Finance Group and the Insurance Group have contributed to this increase. The increase in consumer finance revenue is almost entirely attributable to the average finance receivables that were 27%, 24%, and 18% higher in 1980, 1979, and 1978 compared with each preceding year. The acquisitions of the consumer finance offices of Capital and Southwestern Investment in mid-December 1979 contributed to the increase in consumer finance revenue in 1980. Insurance premiums earned increased 43%, 46%, and 30% in 1980, 1979, and 1978 compared with each preceding year. Gains in insurance premiums earned came from both the Consumer Finance Group and non-affiliated sources, with non-affiliated business growing to approximately 78% of total premiums written in 1980 versus 60% and 51% in 1979 and 1978, respectively. Contributing to these increases were the acquisitions of Northwestern Security Life Insurance Company, and the insurance subsidiaries of Capital and Southwestern Investment. Insurance investment income was $65.6 million, $31.9 million, and $23.5 million in 1980, 1979, and 1978, respectively. This increasing trend is due to higher levels of investment at increased rates of return.

Despite the increases in revenue, Income from Finance Division declined from $101.5 million in 1978, which represents a 17% increase over 1977, to $99.6 million and $100.8 million in 1979 and 1980, respectively. These flat net income figures resulted principally from higher interest costs and high credit losses.

Interest expense has increased 62%, 50%, and 31% in 1980, 1979, and 1978 compared to each previous year. Approximately 74%, 75%, and 70% of these increases were due to additional borrowings with the remainder due to higher rates. The overall interest rate moved up from 7.39% in 1977 to 7.93%, 8.89%, and 10.16% in 1978, 1979, and 1980, respectively.

The provision for credit losses increased 5%, 44%, and 8% in 1980, 1979, and 1978 compared to each previous year. Higher levels of finance receivables at the close of 1978 and 1979 together with higher charge-offs of receivables over each preceding year caused the above increases. Charge-offs as a percentage of finance receivables were 2.34%, 1.87%, and 1.57% for 1980, 1979, and 1978 compared to 1.74% in 1977. Increased consumer bankruptcies under the new Federal Bankruptcy Act contributed significantly to the high level of charge-offs in 1980. Loan balances more than two months delinquent as a percentage of loan balances rose to 1.55% in 1980 versus 1.26% and 1.15% in 1979 and 1978, respectively. Delinquency remains at manageable levels in relation to industry standards and by Beneficial's experience under similar economic conditions.

Insurance benefits provided increased 68%, 57%, and 23% in 1980, 1979, and 1978 compared to each previous year. Higher loss ratios together with the growing volume of business were mainly responsible for this increase. A higher percentage of annuity contracts in 1980 contributed to the current year's increase. The strengthening of reserves for certain international business in 1979 also caused insurance benefits provided to rise at a faster rate than the related premium income. In 1978 the increase was less rapid because of more favorable loss experience.

Although advertising expense increased 24% and 28% in 1979 and 1978 compared to each previous year, it decreased 32% ($7.2 million) in 1980. During 1978 and 1979 increased costs of entering additional markets, the expanded use of

radio, television, and print media, and higher rates resulted in increased costs. During 1980 the Company decreased its advertising expenditures as part of its overall program of finance receivables contraction.

The provision for income taxes represented 34.9%, 36.5% and 41.7% of Finance Division income before income taxes in 1980, 1979, and 1978, respectively. The decreases in 1980 and 1979 were due to a lower effective income tax rate as explained in Note 14 on Page 59.

Capital Resources and Liquidity

Short-term debt is used to provide flexibility to finance operations on a day-to-day basis and as a buffer during periods when receivables contract and expand. Typically, the Company's total short-term debt represents only 15% to 25% of total debt. This ratio was 20%, 23%. and 20% at December 31, 1980, 1979, and 1978, respectively. As short-term debt increases, management closely monitors the long-term market with the intention of rolling over short-term debt into long-term debt.

Commercial paper represents the primary source of short-term funds for the Company. The Company's commercial paper is rated P-1, A-1 and F-1, the highest ratings of Moody's Investors Service, Standard & Poor's Corporation and Fitch Investors Service, respectively. It is offered daily on a direct placement basis with maturities from 15 to 180 days at prevailing rates for directly placed paper of major finance companies. The Company maintains unused bank line coverage equal to at least 100% of commercial paper obligations. At December 31, 1980, the unused portion of bank lines of credit was $751.5 million, 149% of commercial paper outstanding, with bank lines being used for a minor portion of the Company's short-term borrowing needs.

The Company generally relies heavily on the issuance of long-term debt to finance its operations. The strategy has been to fund growth with long-term debt in both domestic and foreign operations. One of the Company's financial strengths is its ability to raise long-term debt in a wide variety of domestic and international markets at the longest terms available to finance companies. The Company's senior debentures are rated D&P-4 by Duff & Phelps, A by Moody's and AA— by Standard and Poor's.

The Company's debt to equity (including redeemable preferred stock) ratio was 3.83 to 1 at December 31, 1980 compared to 4.16 to 1 and 3.08 to 1 at December 31, 1979 and 1978. The principal reason for the higher leverage in 1979 was internal growth and external acquisition. During 1980 the Company reduced its leverage by issuing $22.0 million of preferred stock, by increasing retained earnings and by selling 138 of the former offices of Capital and Southwestern for approximately $190 million.

Due to the rise in interest rates and the Company's growth during the three-year period ending December 31, 1980, the ratio of earnings to fixed charges went from 1.91 to 1 in 1977 to 1.82 to 1, 1.74 to 1, and 1.29 to 1 in 1978, 1979, and 1980, respectively. Continued emphasis on expense control, the switch in the mix of the receivable portfolio toward larger, more profitable loans, and the continued raising of interest rates by state regulatory agencies on loans made by the Company are all expected to contribute to improved fixed charge coverage.

The Company expects to obtain adequate amounts of cash to meet its needs for 1981. The 3½ million customers of the Company are widely dispersed geographically. Principal collections of finance receivables from these customers is the Company's major internal source of funds. Principal collections have increased 18%, 22%, and 20% in 1980, 1979, and 1978 over each previous year. As a percentage of average monthly balances, cash principal collections have reflected the trend to longer contractual maturities resulting particularly from the higher proportion of real estate secured loans. The percentage of cash principal collections was 4.01% for 1980, 4.37% for 1979 and 4.43% for 1978. Due to these ongoing collections and the ability to cut back lending activity when necessary, liquidity does not present a problem for the Company. The proposed purchase of Centennial Holding Company for approximately $18.6 million, financed principally through convertible instalment notes, is expected to be completed in the first half of 1981.

Other commitments include the continuing construction of two office complexes for use by the Company. Expected cash needs to complete these complexes are $91.3 million, which will be financed initially through general funds available to the Company.

Long-term debt of $158.3 million will mature in 1981. These maturities are expected to be financed through long-term debt issues in the wide variety of markets available to the Company. The Company's access to short-term debt through the issuance of commercial paper on a direct placement basis, and the unused portion of the bank lines of credit will make short-term funds available in 1981.

Further information on the Finance Division is in the Financing section on Page 4, the Consumer Finance Group section on Page 6, and the BENICO section on Page 10.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Savings and Loan Division is on Page 69 and for the Merchandising Division on Page 77.

Management's Discussion of Supplementary Financial Data Adjusted for General Inflation is on Page 64 with the related data on Page 63.

Beneficial Corporation and Consolidated Subsidiaries
Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1980	1979	(in millions)	1980	1979	1978
		Source of Funds			
		Operations			
$ 27.0	$ 13.7	Net Income	$ 94.0	$ 101.1	$ 98.3
		Non-cash charges (credits) to income			
34.4	39.8	Provision for credit losses (before recoveries)	117.1	110.9	78.8
(11.9)	(4.5)	Increase (decrease) in unpaid expenses	19.2	20.8	11.3
26.5	13.4	Increase in insurance reserves	44.5	58.8	32.9
5.8	3.9	Depreciation, amortization, and other	22.4	13.4	8.1
.3	2.5	Unrealized foreign exchange loss (gain)	1.1	(1.7)	1.7
47.3	6.8	Deferred income taxes	39.4	7.8	2.6
(6.0)	(6.1)	Undistributed net (income) of non-consolidated subsidiaries	(6.7)	(17.1)	(2.4)
123.4	69.5	Funds provided by operations	331.0	294.0	231.3
189.8	—	Proceeds from divestiture of offices	189.8	—	—
(150.6)	80.6	Increase (decrease) in short-term debt	(160.1)	160.8	106.2
(5.4)	2.8	Increase (decrease) in accounts payable	21.6	25.8	22.4
—	103.0	Redeemable preferred stock issued	22.0	103.0	—
65.7	532.8	Long-term debt issued	253.3	1,068.6	392.1
2.3	(49.8)	Other—net	(22.5)	(114.8)	28.6
$225.2	$738.9		$635.1	$1,537.4	$780.6
		Application of Funds			
$ 80.2	$327.6	Increase in principal of finance receivables (before charge-offs)	$110.2	$ 840.5	$555.6
8.7	3.5	Increase in investments (at carrying amount)	153.9	132.6	106.4
—	—	Investment in Savings and Loan Division	—	70.6	21.2
32.3	16.8	Additions to property and equipment	73.7	26.9	18.5
89.3	192.4	Long-term debt paid	236.5	231.7	36.0
—	184.3	Capital and Southwestern acquisitions	—	184.3	—
14.7	14.3	Dividends on capital stock	60.8	50.8	42.9
$225.2	$738.9		$635.1	$1,537.4	$780.6

See Notes to Financial Statements.

1. Summary of Significant Accounting Principles and Practices

a) Basis of Consolidation. The consolidated financial statements include, after inter-company eliminations, the accounts of all significant subsidiaries except those comprising the Savings and Loan Division and Merchandising Division, which are included on the equity method. Financial Statements for the Savings and Loan Division and for the Merchandising Division are presented elsewhere in this report.

Certain prior year amounts have been reclassified to conform to 1980 presentation.

b) Finance Operations. The financial statements, except for consumer finance revenue, are prepared on the accrual basis.

Unearned finance charges generally are taken into income as earned and collected under the sum-of-the-digits method. Income from interest-bearing direct cash loans is taken into income as collected.

Receivables considered uncollectible or to require disproportionate collection costs are charged to the Reserve for Credit Losses, but collection efforts generally are continued.

c) Insurance Operations. Insurance subsidiaries are engaged primarily in credit life, credit accident and health, and property and liability insurance.

Insurance policy acquisition costs are deferred and amortized over the lives of the policies in relation to earned premium.

Premiums on credit life insurance are taken into income on the sum-of-the-digits method, or in the case of level-term contracts, on the straight-line method over the lives of the policies. Premiums on credit accident and health contracts are generally taken into income on an average of the sum-of-the-digits and the pro rata methods. Property and liability premiums are taken into income on the straight-line method.

d) Valuation of Investments. Debt securities are carried at amortized cost. Equity securities (substantially all marketable) generally are carried at market value. The carrying amount of marketable equity securities is adjusted from cost to market value through a valuation allowance, the change in which is not reflected in Net Income but directly in Shareholders' Equity. Other investments are carried at cost.

e) Translation of Foreign Currencies. Assets (including immaterial amounts of property and equipment and related accumulated depreciation) and liabilities in foreign currencies are translated to U.S. dollar equivalents at the market rates at each Balance Sheet date. Translation of foreign operating results is at the average market rate for each period covered by the Statement of Income. The net gain or loss is credited or charged to income.

f) Interest Expense, after Income Taxes, Related to Investment in Subsidiaries. Interest expense related to investment in subsidiaries which are not a part of the Finance Division is removed from interest expense of the Finance Division and is shown, net of taxes, as a separate item. Similarly, interest expense related to the investment in the Insurance Group has been removed from interest expense of the Consumer Finance Group (Page 65), but remains in expense of the Finance Division.

The aggregate expense reflects the cost of funds used to acquire various subsidiaries as well as interest on funds used by Beneficial Corporation to pay dividends applicable to those subsidiaries to the extent that the subsidiaries have not paid dividends at the same payout ratio with regard to available net income as Beneficial Corporation.

This presentation results in a more meaningful measure of profitability of the Consumer Finance Group and the Finance Division, as such interest expense is a common expense of the Company rather than applying to a particular division.

g) Amortization of Excess Cost of Net Assets Acquired. Excess Cost applicable to acquisitions before November 1, 1970 is not being amortized. Excess Cost applicable to subsequent acquisitions is being amortized over 40 years.

2. Transfers of Subsidiaries

At December 31, 1979, dividends were received by the Company from certain subsidiaries in the form of stock in their wholly-owned subsidiaries. Since such distributions were made at year-end 1979, operating results of such subsidiaries for 1979 are included with those of their former parent companies while their assets and liabilities are included in the Company's consolidated balance sheet. Such distributions were as follows:

a) First Texas distributed the stock of FTS Life Insurance Company, in the amount of $2.3.

b) Spiegel distributed the stock of Guaranteed Equity Life Insurance Company, in the amount of $7.8.

c) Western Auto distributed the stock of Western Acceptance Company (engaged in the purchase of customer receivables generated by Western Auto retail stores and associate stores), in the amount of $68.1.

On January 1, 1980 Beneficial Corporation contributed the stock of Midland International Corporation, a wholly-owned Merchandising Division subsidiary, to Western Auto.

(amounts in millions)

3. Cash

December 31	1980	1979
On Hand and Unrestricted Deposits	$24.4	$27.1
Compensating Balances	30.8	25.4
Total Cash	$55.2	$52.5

Compensating balance requirements prior to 1980 generally were the greater of 10% of the bank line of credit or 20% of actual borrowings. In 1980 such requirements generally are 7% compensating balances on one-half the bank line of credit with a ½% per annum fee on the remainder.

4. Finance Receivables and Receivables Purchased From Western Auto

The amount of Finance Receivables and maximum term (in months from origination) are as follows:

	Amount		Maximum Term	
December 31	1980	1979	1980	1979
			(months)	
Real Estate Secured Loans	$1,532	$ 916	180	180
Other Direct Cash Loans	2,586	3,318	180	180
All Loans	4,118	4,234		
Sales Finance Contracts	379	553	60	60
Bank Credit Card Receivables	92	92	36	36
Lease Receivables	174	100	300	300
Total Finance Receivables	$4,763	$4,979		

Scheduled contractual payments of Finance Receivables to be received after December 31, 1980 are as follows:

	1981	1982	1983	1984	Beyond
Real Estate Secured Loans	16%	15%	14%	14%	41%
Other Direct Cash Loans	48	31	14	4	3
Total Loans	36	25	14	8	17
Sales Finance Contracts	66	22	7	3	2
Bank Credit Card Receivables	48	33	19	—	—
Lease Receivables	21	19	14	10	36
Total	38	25	14	7	16

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal of Finance Receivables amounted to $2,048.8 for 1980 and $1,736.4 for 1979.

The percentage of monthly cash principal collections to average monthly balances was 4.01% for 1980 and 4.37% for 1979.

Customer receivables of Western Auto retail and associate stores are purchased, with recourse, from Western Auto, which maintains the reserve for credit losses applicable to these receivables. The accounts had a weighted average remaining maturity of 17 months at December 31, 1980.

5. Investments

These are held principally by the Insurance Group as long-term investments. Equity securities had a cost of $116.1 at December 31, 1980 and $99.6 at December 31, 1979.

Investments consist of the following:

December 31	1980		1979	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Debt Securities				
Certificates of Deposit	$ 98.3	$ 98.3	$ 60.3	$ 60.3
Commercial Paper	41.7	41.7	27.1	27.1
U.S. Government Obligations	115.1	105.0	80.5	80.3
Foreign Government and Agency Obligations	74.1	66.8	72.3	67.4
Municipal Bonds	300.7	204.8	276.2	238.7
Convertible Bonds	14.9	13.4	18.3	16.0
Non-Convertible Bonds	166.7	148.5	142.8	130.5
Other	96.2	96.2	93.9	93.9
	907.7	774.7	771.4	714.2
Equity Securities				
Convertible Preferred Stocks	4.5	4.5	2.1	2.1
Other Preferred Stocks	50.8	50.8	55.5	55.5
Common Stocks	43.1	43.1	28.8	28.8
	98.4	98.4	86.4	86.4
Other	9.1	9.1	3.5	3.5
Total Investments	$1,015.2	$882.2	$861.3	$804.1

Net Unrealized Loss on Equity Securities is as follows:

December 31	1980	1979
Unrealized Losses	$22.8	$13.6
Less Unrealized Gains	(5.1)	(.4)
Net Unrealized Loss	$17.7	$13.2

Realized gains and losses are determined on the specific cost identification basis and are not material.

6. Receivable from Merchandising Division

At December 31, 1980 and 1979, $79.2 and $102.0 of these amounts are receivable from Fairfax Family Fund, Inc., a consumer loan subsidiary of Spiegel, Inc.

7. Other Assets

December 31	1980	1979
Accrued Interest on Investments	$ 20.2	$ 16.7
Deferred Income Tax Benefits	13.7	18.4
Excess Cost of Net Assets Acquired	139.6	141.1
Insurance Premiums Receivable	55.0	45.3
Recoverable Income Taxes	23.0	13.2
Unamortized Insurance Policy Acquisition Costs	60.4	61.9
Unamortized Long-Term Debt Expense	19.2	19.8
Other	35.3	35.4
Total Other Assets	$366.4	$351.8

The portion of Excess Cost of Net Assets Acquired being amortized at December 31, 1980 and 1979 is $112.8 and $114.4.

8. Short-Term Debt

December 31	1980	1979	1978
Banks	$246.2	$319.7	$190.1
Commercial Paper	503.5	610.2	288.8
Total Short-Term Notes	749.7	929.9	478.9
Employee Thrift Accounts	67.7	47.6	41.1
Total	817.4	977.5	520.0
Unamortized Discount	(3.0)	(3.1)	—
Total Short-Term Debt	$814.4	$974.4	$520.0

Data for Short-Term Notes for the years ended December 31 are:

	1980	1979	1978
Maximum amount at any month end	$1,003.9	$929.9	$478.9
Daily average amount	888.5	566.6	254.7
Average actual interest rate			
U.S. dollar borrowings	13.63%	12.14%	8.44%
Foreign currency borrowings	12.76	11.47	9.07
Overall	13.46	11.96	8.71

The average interest rates on Short-Term Notes outstanding, without giving effect to compensating balances at banks, and maturities are as follows:

December 31	1980	1979	1978
Average Interest Rates			
Banks			
U.S. dollars	21.28%	15.22%	11.72%
Foreign currencies	13.57	12.66	8.57
Overall	19.24	14.44	10.57
Commercial Paper			
U.S. dollars	19.34	13.22	10.17
Foreign currencies	13.75	11.98	10.23
Overall	18.43	12.87	10.19
Maturities (in days)			
Banks	1-90	1-365	1-365
Commercial Paper	15-180	15-180	15-210

Bank lines of credit are as follows:

December 31	1980	1979	1978
Loans	$246.2	$ 319.7	$190.1
Unused Portion	751.5	784.2	299.0
Total Bank Lines	$997.7	$1,103.9	$489.1

9. Accounts Payable and Accrued Liabilities

December 31	1980	1979
Accrued Interest	$ 85.2	$ 65.6
Dealer Reserves	24.1	24.2
Income Taxes Payable	32.4	15.9
Insurance Premiums Payable	62.1	65.7
Other	79.4	71.0
Total Accounts Payable and Accrued Liabilities	$283.2	$242.4

(amounts in millions)

10. Long-Term Debt and Restrictions on Use of Additional Paid-in Capital and Retained Earnings

Long-term debt outstanding is as follows:

December 31	1980	1979
By Currency		
United States	$2,912.3	$3,090.1
Australian	108.9	67.7
British	95.7	—
Canadian	146.9	154.1
Japanese	4.2	—
New Zealand	2.5	2.0
Swiss	42.7	—
West German	46.8	27.2
Total	3,360.0	3,341.1
Unamortized Discount	(24.0)	(16.4)
Total Long-Term Debt	$3,336.0	$3,324.7
By Maturity		
1980	$ —	$ 170.8
1981	158.3	114.0
1982	91.8	82.0
1983	207.4	197.9
1984	542.3	582.2
1985	285.8	206.7
1986-90	1,200.2	1,103.8
1991-95	247.2	256.7
1996-2000	252.0	252.0
2001-07	375.0	375.0
Total	3,360.0	3,341.1
Unamortized Discount	(24.0)	(16.4)
Total Long-Term Debt	$3,336.0	$3,324.7
Subordinated Debt Included Above	$ 73.2	$ 161.4
Weighted Average Annual Interest Rate on Debt Outstanding at End of Year	8.81%	8.79%

Long-Term Debt at December 31, 1980 includes $550.0 for which the holder may elect payment prior to maturity. Such debt is shown above in the earliest year it could become payable. The weighted average life of all the Company's long-term debt is 8.7 years assuming holders tender at the earliest date, and 11.5 years if all debt is held to ultimate maturity.

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1980 and 1979, the amounts of all unrestricted Additional Paid-in Capital and Retained Earnings, under the most restrictive of these covenants, are approximately $550 and $650.

The increase of $.2 in Additional Paid-in Capital resulted from an addition of $.1 upon the conversion of $5.50 Dividend Cumulative Convertible Preferred Stock to Common Stock, an addition of $.2 in connection with the distribution of treasury shares of Common Stock for the Company's Incentive Compensation Plan, and miscellaneous reductions amounting to $.1.

11. Capital Stock

The number of shares of capital stock is as follows:

Issued and Outstanding December 31	1980	1979
Preferred—no par value (issuable in series). Authorized, 500,000 9.25% Series Redeemable Preferred	125,000	103,000
Preferred—$1 par value. Authorized, 2,500,000	—	—
5% Cumulative Preferred—$50 par value. Authorized, 585,730	407,718(a	407,718(a
$5.50 Dividend Cumulative Convertible Preferred—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value $9.9 million and $10.7 million). Authorized, 1,164,077	98,854	107,238
$4.50 Dividend Cumulative Preferred—$100 par value. Authorized, 103,976	103,976	103,976
$4.30 Dividend Cumulative Preferred—no par value—$100 stated value. Authorized, 1,069,204	836,585	836,585
Common—$1 par value. Authorized, 60,000,000	22,150,739(b	22,104,445(b
After deducting treasury shares:		
a)	178,012	178,012
b)	4,787,481	4,796,053

At December 31, 1980, 444,843 of the authorized Common shares shown above are issuable upon conversion of $5.50 Preferred.

12. Redeemable Preferred Stock

In November 1979 the Company issued 103,000 shares of the authorized maximum of 125,000 shares of 9.25% Series Preferred Stock at $1,000 per share. The remaining 22,000 shares of the 9.25% Series, subscribed at December 31, 1979, were

issued February 1, 1980, making 125,000 shares outstanding at December 31, 1980. Dividends, which are cumulative, are payable quarterly at $23.125 per share. Beginning November 15, 1985 and annually through November 15, 1999, the Company is required to redeem 8,333 shares of the 9.25% Series Preferred Stock through a sinking fund at $1,000 per share. Sinking fund payments are cumulative, and the Company may, at its option, increase the sinking fund payment by 8,333 shares annually up to an aggregate of 43,750 shares. Unless dividend and sinking fund payments on this Preferred Stock are current, the Company may not pay dividends or make other distributions or purchase, redeem, or retire any issues of stock junior to this issue. The Company has the right to redeem the 9.25% Series Preferred Stock beginning November 15, 1989 at an initial redemption price of $1,043.82 per share, declining ratably thereafter to $1,000 per share. Upon the arrearage of six quarterly dividends on any series of the Preferred Stock the holders of the 9.25% Series Preferred Stock, with the holders of other series of the Preferred Stock voting as a class, would be entitled to elect two members of the Board of Directors.

13. Employee Retirement Plans

The Company and consolidated subsidiaries have several retirement plans covering substantially all employees in the United States. The plans are fully funded. Total expense for the plans for 1980, 1979 and 1978 was $7.2, $5.3 and $4.4, respectively. The Company makes annual contributions to the plans equal to the amounts accrued for retirement expense. Certain plan amendments were made during 1980 to provide for updated benefits which had the effect of reducing net income by $1.1. Accumulated plan benefits and plan net assets for the Company's domestic benefit plans are:

January 1	1980	1979
Actuarial Present Value of Accumulated Plan Benefits		
Vested	$34.2	$26.8
Nonvested	7.4	2.9
Total Actuarial Present Value of Accumulated Plan Benefits	$41.6	$29.7
Net Assets Available for Benefits	$71.0	$54.0

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8% for the 1980 and 1979 valuations.

14. Taxes on Income

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including those in the Merchandising and Savings and Loan Divisions. The Provision for Income Taxes for the Finance Division is comprised of:

	1980	1979	1978
United States			
Current	$(2.2)	$33.6	$56.1
Deferred	18.6	(1.8)	4.9
Investment Tax Credit Deferred	18.5	10.8	—
Total U.S.	34.9	42.6	61.0
Foreign			
Current	11.7	8.7	7.5
Deferred	1.7	(1.2)	(2.3)
Total Foreign	13.4	7.5	5.2
Total U.S. and Foreign	48.3	50.1	66.2
State and Local	5.7	7.2	6.4
Total	$54.0	$57.3	$72.6

Deferred taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes and relate to:

	1980	1979	1978
United States			
Leasing transactions	$21.3	$ 8.5	$ .9
Differences between cash and accrual basis	(6.2)	(5.4)	(1.8)
Insurance Benefits Provided	3.0	.4	(.5)
Insurance Policy Acquisition Costs	1.6	2.9	1.4
Provision for Credit Losses	(2.5)	(7.9)	(.1)
Unrealized Foreign Exchange Gain (Loss)	(2.4)	(1.7)	4.1
Other	3.8	1.4	.9
Total U.S.	18.6	(1.8)	4.9
Foreign			
Differences between cash and accrual basis	1.3	.2	(.1)
Provision for Credit Losses	(.3)	(.6)	(.4)
Unrealized Foreign Exchange Gain (Loss)	.4	(.1)	(.4)
Loss carryover	(.5)	(.7)	(.2)
Other	.8	—	(1.2)
Total Foreign	1.7	(1.2)	(2.3)
Total	$20.3	$(3.0)	$2.6

(amounts in millions)

A reconciliation between the expected and the effective U.S. and foreign tax rates on Finance Division Income before Income Taxes follows:

	1980	1979	1978
Expected Tax Rate	46.0%	46.0%	48.0%
Increases (Decreases) in Tax Rate Resulting from:			
Income of insurance subsidiaries taxed at lower effective rates	(11.4)	(9.9)	(8.9)
State and local income taxes	(1.7)	(2.1)	(2.0)
Unrealized and untaxed foreign exchange gains and losses	.4	(.6)	1.8
Application of foreign tax credits	—	—	(1.7)
Investment tax credit	(1.7)	(.9)	(.7)
Other	(.4)	(.6)	1.5
Effective Tax Rate	31.2%	31.9%	38.0%

U.S. income taxes generally have not been provided on retained earnings of foreign subsidiaries, as such retained earnings are expected to be permanently invested in foreign countries.

15. Leases

There are 2,380 real estate leases. They generally have an original term of five years with renewal option for a like term. Data processing equipment lease terms range from two to five years and generally are renewable. The minimum rental commitments under non-cancelable leases at December 31, 1980 are as follows:

1981	$16.3
1982	13.2
1983	9.3
1984	5.6
1985	2.8
1986 thru 1990	4.6
Thereafter	3.6
Total	$55.4

16. Earnings Per Common Share

Earnings per Common Share is computed on the basis of average shares outstanding and their equivalents after deducting dividend requirements on Preferred Stocks. None of the Preferred Stocks are common stock equivalents.

17. Acquisitions/Divestitures

The Company began acquisition of the outstanding stock of First Texas Financial Corporation (now the Savings and Loan Division) in July 1978, held 24.1% at December 31, 1978, and acquired the remaining shares on April 6, 1979. In mid-December 1979 the Company acquired Capital Financial Services Inc. and the consumer finance and insurance operations of Southwestern Investment Company. Results of operations of Capital and Southwestern, except consumer finance offices subsequently divested, are included in the Finance Division from that time.

In accordance with a consent decree between the Justice Department and the Company, BarclaysAmericanCorporation purchased, on October 10, 1980, 138 consumer finance offices formerly of Capital and Southwestern. The purchase price was approximately $190.

The acquisitions, accounted for as purchases, (net of divestitures) were as follows:

	Cost	Excess Cost
First Texas	$ 91.8	$52.3
Capital	110.7	30.6
Southwestern	73.6	24.4

Excess Cost, as shown above, is being amortized on the straight-line basis over 40 years.

Purchase accounting adjustments, net of tax effect, of $28.5 relating to the value of mortgage loans of First Texas are being amortized under the sum-of-the-digits method over a maximum of nine years. Income from the Savings and Loan Division consisted of:

	1980	1979	1978
Equity in Net Income (Loss)	$(.8)	$ 9.0	$1.7
Purchase Accounting Adjustments	3.9	3.6	.8
Total	$3.1	$12.6	$2.5

The following table presents pro-forma results as if the acquisitions, net of divestitures, had been made on January 1, 1978.

	1979	1978
Net Income	$107.4	$115.1
Earnings per Common Share	4.53	4.95

Pro-forma adjustments include interest on debt issued for the acquisitions, purchase accounting adjustments, and related income tax adjustments.

On August 12, 1980, Beneficial and Centennial Holding Company, Houston, Texas, signed an agreement for the purchase by Beneficial of Centennial for $18.6. Centennial operates 15 savings and loan branches in Texas. The transaction is contingent on approval by the Federal Home Loan Bank Board and other requisite regulatory approvals. The completion of this transaction is anticipated during the first half of 1981.

18. Interest Expense

The effect of the treatment for Interest Expense as set out in Note 1f is as follows:

	1980	1979	1978
Net Income			
Finance Division			
Consumer Finance Group	$ 50.4	$ 53.4	$ 62.8
Insurance Group	59.5	50.4	41.3
Interest Expense, after Income Taxes, Related to Investment in Insurance Group	(9.1)	(4.2)	(2.6)
Income from Finance Division	100.8	99.6	101.5
Income from Savings and Loan Division	3.1	12.6	2.5
Income from Merchandising Division	5.6	3.5	4.3
Interest Expense, after Income Taxes, Related to Investment in Non-Consolidated Subsidiaries	(15.5)	(14.6)	(10.0)
Total	$ 94.0	$101.1	$ 98.3

Financial Accounting Standards Board Statement No. 34 requires interest to be capitalized on assets being constructed for an enterprise's own use, effective January 1, 1980. In 1979 the Company began construction of office buildings, expected to be ready for occupancy in 1981, and elected to begin capitalization of interest in 1979, as permitted. During 1980, 1979 and 1978 the total amount of interest cost incurred was $427.2, $271.9 and $181.7, respectively, of which $3.5 and $.8 was capitalized in 1980 and in 1979.

19. Operations in Different Geographic Areas

Operations of the Finance Division are primarily in the United States. Foreign operations are conducted through subsidiaries in Canada and other countries.

Revenue, income before income taxes, net income, and identifiable assets applicable to various geographic areas are as follows:

	1980	1979	1978
Revenue			
United States	$1,160.1	$ 851.7	$658.0
Canada	54.3	52.6	51.4
Other countries	156.4	99.8	73.6
Eliminations (a	(47.6)	(21.2)	(13.5)
Total	$1,323.2	$ 982.9	$769.5
Income before Income Taxes			
United States	$ 118.2	$ 135.8	$161.4
Canada	17.5	15.9	2.2
Other countries	27.7	13.9	16.6
General Corporate Expenses	(8.6)	(8.7)	(6.1)
Total	$ 154.8	$ 156.9	$174.1
Net Income (Loss)			
United States	$ 78.2	$ 85.0	$ 93.5
Canada	7.3	8.9	(2.9)
Other countries	19.9	10.4	14.1
General Corporate Expenses	(4.6)	(4.7)	(3.2)
Total	$ 100.8	$ 99.6	$101.5
Identifiable Assets at December 31			
United States	$4,810.3	$4,906.1	
Canada	199.6	223.1	
Other countries	1,001.6	638.9	
Investments in and Advances to Non-Consolidated Subsidiaries	496.4	513.2	
Corporate Assets	29.1	8.6	
Eliminations (b	(506.8)	(261.7)	
Total	$6,030.2	$6,028.2	

a) Interest and service fees paid to affiliates.

b) Intercompany receivables and payables.

The assets above are classified by their identification with operations in each geographic area without regard to currency denominations.

The Company generally attempts to limit its exposure to foreign exchange fluctuations by borrowing in the same curren-

(amounts in millions)

cies as its assets. In the aggregate, amounts denominated in foreign currencies after translation to U.S. dollar equivalents are:

December 31	1980	1979
Assets	$728.4	$596.8
Liabilities	721.3	534.7
Net Assets	$ 7.1	$ 62.1

20. Industry Segment Information

The business of the Finance Division is comprised of consumer finance and insurance operations. Revenue, income before income taxes and identifiable assets applicable to these operations follow:

	1980	1979	1978
Revenue			
Consumer Finance Group	$ 944.1	$ 732.7	$598.8
Insurance Group	388.3	260.5	179.3
Eliminations (a	(9.2)	(10.3)	(8.6)
Total	$1,323.2	$ 982.9	$769.5
Income before Income Taxes			
Consumer Finance Group	$ 103.2	$ 110.1	$134.1
Insurance Group	77.0	63.3	51.0
Interest Expense Allocation	(16.8)	(7.8)	(4.9)
General Corporate Expenses	(8.6)	(8.7)	(6.1)
Total	$ 154.8	$ 156.9	$174.1
Identifiable Assets at December 31			
Consumer Finance Group	$4,643.7	$4,755.4	
Insurance Group	1,030.7	946.7	
Investments in and Advances to Non-Consolidated Subsidiaries	496.4	513.2	
Corporate Assets	29.1	8.6	
Eliminations (a	(169.7)	(195.7)	
Total	$6,030.2	$6,028.2	

a) Principally intersegment revenue of consumer finance subsidiaries derived from insurance activities with affiliated insurance companies and insurance reserves applicable to Finance Receivables.

21. Selected Financial Data

Selected financial data required by Securities and Exchange Commission rules are included (unaudited) in Eleven-Year Summary—Supplemental Information, Page 84 and in Data by Calendar Quarter—Supplemental Information Page 86.

Accountants' Opinion

The Board of Directors and Shareholders
of Beneficial Corporation

We have examined the balance sheets of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1980 and 1979 and the related statements of income and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the following consolidated subsidiaries for the years indicated: Capital Financial Services Inc.—1979; Southwestern Investment Company—1979; Western Acceptance Company—1979; or Beneficial Acceptance Corporation—1980. The financial statements of these companies reflected assets amounting to $487.6 million, $463.2 million, and $166.2 million respectively at December 31, 1979. The financial statements of Beneficial Acceptance Corporation reflected assets amounting to $118.3 million at December 31, 1980 and revenue of $9.3 million for the year then ended. We also did not examine the financial statements of the Merchandising Division or of the Savings and Loan Division, the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements of the aforementioned companies and divisions which were not examined by us were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1980 and 1979 and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980 in conformity with generally accepted accounting principles applied on a consistent basis.

DELOITTE HASKINS & SELLS

Morristown, New Jersey
February 9, 1981

Beneficial Corporation and Consolidated Subsidiaries

Supplementary Financial Data Adjusted for General Inflation
(Unaudited)

(in millions)	1980
Net Income as Reported in the Statement of Income	$ 94.0
Adjustment to Restate Depreciation Expense for the Effect of General Inflation	(4.0)
Net Income Adjusted for General Inflation	$ 90.0
Decline in Purchasing Power of Net Monetary Assets Held	53.7

(in millions of average 1980 dollars)

Years Ended December 31	1980	1979	1978	1977	1976
Revenue	$1,323.2	$1,115.8	$971.9	$870.8	$776.7
Net Income	90.0	111.3			
Net Assets at Year End	1,059.1	1,116.4			
Per Common Share					
Net Income	3.27	4.66			
Cash Dividends	2.00	2.21	2.15	2.18	2.08
Market Price at Year End	20.89	28.31	27.82	28.02	38.40
Decline in Purchasing Power of Net Monetary Assets Held	53.7	50.7			
Average Consumer Price Index	246.8	217.4	195.4	181.5	170.5

Notes

Basis of Preparation

The financial statements are prepared on the basis of historic prices in effect when the transactions occurred. The supplementary financial information required by Financial Accounting Standards Board Statement No. 33 discloses certain effects of inflation on the Company's property and equipment. The supplemental data is expressed in average 1980 dollars and reflects adjustments for changes that have occurred in the purchasing power of the dollar as measured by the Consumer Price Index for all Urban Consumers (CPI-U). Certain information relating to years ended before December 31, 1979 is impractical to obtain.

Data Adjusted for General Inflation

Depreciation expense was calculated using the same methods and useful lives used in the financial statements. The Statement requires that no adjustments be made to the provision for income taxes.

Current Cost

Because current cost amounts do not differ materially from amounts adjusted for general inflation (constant dollars), current cost data has not been included.

Redeemable Preferred Stock

For purposes of calculating the loss from the decline in purchasing power of net monetary assets held and net assets at December 31, 1980, redeemable preferred stock is included with shareholders' equity. If redeemable preferred stock had been classified as a monetary liability, the loss from the decline in purchasing power of net monetary assets held at December 31, 1980 and 1979 would be $40.5 million and $49.6 million and net assets at December 31, 1980 and 1979 would be $939.7 million and $1,005.5 million.

Management's Discussion of Supplementary Financial Data Adjusted for General Inflation

Introduction

Statement 33 requires certain businesses to measure and report the effects of changing prices, using the methods of measurement and reporting formats prescribed. Two methods are prescribed by Statement 33: the "constant dollar" and "current cost" methods. The constant dollar method requires data adjusted for "general inflation" using the CPI-U to provide financial information in dollars of equivalent purchasing power (constant dollars). Conversion to constant dollars does not change the historic cost basis of measurement, but changes only the unit of measurement. The current cost method requires data adjusted for the effects of changes in values of specific assets. Property and equipment, the only material specific assets of the Company affected by the requirement, are relatively insignificant to the operations of the Company and current cost amounts do not differ materially from amounts adjusted for general inflation (constant dollar method). Current cost data, therefore, is not presented.

Effects of Inflation

Since the Company generally does not make large expenditures for property or for the production or acquisition of goods for sale, the direct results of more costly goods and services are not material. However, high levels of inflation result in higher interest expense. Inflation also causes salaries and other operating costs to rise. Conversely, interest rates charged to customers cannot be substantially increased due to interest rate ceilings established by state laws. This results in a reduction in operating margin since inflation induced increased costs cannot be passed on to our customers without approval for increases in interest rates charged.

Net Income Adjusted for General Inflation

Since most of the Corporation's assets and liabilities are monetary in nature and fixed in terms of the amount of cash to be received or paid, they require no adjustment. Property and equipment, however, is not a monetary asset and has been restated to average 1980 dollars using the CPI-U. This resulted in a higher depreciation expense reducing net income by $4.0 million as shown on the previous page. Depreciation expense was calculated using the same methods, useful lives and salvage values used for historical cost depreciation as reflected in the primary financial statements. Revenue and other expense items were not restated as these are assumed to have occurred proportionately to the CPI-U over the course of the year. Statement 33 requires that no adjustment be made to the provision for income taxes for the additional depreciation expense.

A separate line is shown for Decline in Purchasing Power of Net Monetary Assets Held. Net monetary assets are cash and claims to cash fixed in terms of dollars less amounts owed, fixed in terms of dollars. Financial institutions are usually in a positive net monetary position. Consequently, they will show a purchasing power decline during periods of rising prices, which is not included in adjusting net income for general inflation.

Selected Supplementary Financial Data Adjusted for General Inflation

The table on the previous page shows the effect of adjusting selected financial data to average 1980 dollars. Net Assets at year-end 1980 are calculated by reducing shareholders' equity by the historic cost balance of property and equipment and converting the remainder to average 1980 dollars. To this figure is added the constant dollar property and equipment balance. The decrease in historic cost/constant dollar net assets versus net assets as reported in the primary statements is due to the conversion of year-end shareholders' equity (less property and equipment) from year-end 1980 dollars to average 1980 dollars.

Since Statement 33 is experimental in nature, the data presented herein should not be viewed as a precise calculation of the effects of inflation.

Management Strategies for Coping with Inflation

Corporate programs are underway to ensure that resources are efficiently utilized and costs are adequately controlled. Emphasis is being placed on expense control to combat the higher costs caused by inflation. The Company is also seeking approval from regulatory agencies to increase interest rates charged commensurate with the Company's higher cost of funds. These steps which the Company is taking should improve profitability and help to offset the adverse effects of inflation.

Consumer Finance Group
Statement of Income

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1980	1979	(in millions)	1980	1979	1978
		Net Finance Revenue			
$223.7	$188.9	Finance Charges and Fees	$ 899.4	$ 696.7	$ 572.4
92.3	72.0	Interest Expense	377.5	234.5	156.4
131.4	116.9	Gross Margin	521.9	462.2	416.0
5.4	8.3	Other Revenue	44.7	36.0	26.4
136.8	125.2	Total	566.6	498.2	442.4
		Operating Expenses			
47.1	43.8	Salaries and Employee Benefits	194.3	159.6	129.7
31.8	37.7	Provision for Credit Losses (less recoveries)	107.2	102.4	70.9
3.9	5.6	Advertising	15.0	22.2	17.9
2.0	2.0	Depreciation	8.4	7.2	5.4
2.8	2.5	Postage and Express	11.6	10.1	7.6
2.8	1.6	Printing and Stationery	12.4	9.4	7.7
7.0	5.8	Rent	28.6	21.4	17.8
4.7	4.9	Telephone	20.5	17.5	13.8
3.2	2.7	Travel	12.9	10.1	8.3
12.6	10.8	Other	59.1	38.2	31.9
117.9	117.4	Total Operating Expenses	470.0	398.1	311.0
18.9	7.8	Operating Income	96.6	100.1	131.4
(1.2)	(1.1)	Foreign Exchange Gain (Loss)	(2.0)	1.3	(3.4)
17.7	6.7	Income Before Income Taxes	94.6	101.4	128.0
7.4	4.2	Provision for Income Taxes	44.2	48.0	65.2
$ 10.3	$ 2.5	Net Income (Note 18)	$ 50.4	$ 53.4	$ 62.8

Supplemental Information

		During The Period			
$569.8	$764.8	New Funds Lent to Customers	$2,116.0	$2,443.2	$1,942.2
24.1	27.6	Principal of Finance Receivables Purchased	78.6	133.7	36.7
33.0	26.2	Finance Receivables Charged Off (less recoveries)	114.7	73.2	51.1
3.97	4.21	% of Monthly Cash Principal Collections to Average Monthly Balances	4.01	4.37	4.43
21.22	21.21	Annual Percentage Rate of Finance Charges and Fees Collected	21.15	21.23	21.27
		At End of Period			
		Number of Consumer Finance Offices	2,258	2,399	1,939

Insurance Group
Statement of Income

(Unaudited) Three Months Ended December 31 1980	1979	(in millions)	Years Ended December 31 1980	1979	1978
		Revenue			
$ 87.2	$62.9	Premiums Earned	$ 310.1	$ 217.5	$ 149.0
17.3	9.5	Investment Income (net)	65.6	31.9	23.5
2.7	4.0	Other Income	11.4	9.4	6.5
107.2	76.4	Total	387.1	258.8	179.0
		Benefits and Expenses			
63.6	45.8	Policy Benefits	228.1	136.0	86.7
11.1	14.2	Commissions and Brokerage	51.0	59.6	36.1
2.6	1.6	Salaries and Employee Benefits	9.2	5.0	2.9
.5	(1.4)	Decrease (Increase) in Unamortized Policy Acquisition Costs	1.5	(14.6)	(4.1)
1.5	.6	Licenses and Taxes	4.9	4.0	3.9
6.9	1.9	Other Expenses	16.6	6.6	4.0
86.2	62.7	Total	311.3	196.6	129.5
21.0	13.7	**Operating Income**	75.8	62.2	49.5
.3	.2	Foreign Exchange Gain (Loss)	—	(.6)	1.2
21.3	13.9	**Income Before Income Taxes**	75.8	61.6	50.7
4.4	3.4	Provision For Income Taxes	17.5	12.9	9.7
16.9	10.5	**Income Before Realized Net Investment Gains (Losses)**	58.3	48.7	41.0
.4	—	Realized Net Investment Gains (Losses)	1.2	1.7	.3
$ 17.3	$10.5	**Net Income** (Note 18)	$ 59.5	$ 50.4	$ 41.3

		Supplemental Information			
		During the Period			
$161.9	$77.6	Premiums Written	$ 443.8	$ 272.7	$ 170.2
1.82	1.03	Ratio of Premiums Written to Shareholder's Equity (annualized)	1.25	.90	.98
		At End Of Period			
		Investments*	$ 850.3	$ 759.0	$ 411.2
		Unamortized Policy Acquisition Costs	60.4	61.9	26.5
		Total Assets*	1,030.7	946.7	497.0
		Insurance Policy and Claim Reserves	557.5	513.7	233.3
		Shareholder's Equity*	356.7	301.5	174.8
		Life Insurance in Force	7,146.9	6,954.0	4,468.9

*Excludes investments in non-insurance subsidiaries.

Savings and Loan Division

Balance Sheet

(in millions) December 31	1980	1979
Assets		
Cash	$ 5.2	$ 3.8
Certificates of Deposit	26.5	27.6
Investment Securities (Notes 2 and 5)	115.8	89.5
Loans Receivable (net) (Notes 3 and 5)	1,508.8	1,417.6
Foreclosed Real Estate (at cost, less allowance for losses of $.2 and $.3)	3.2	2.2
Investment Real Estate (net) (Note 4)	18.7	21.7
Federal Home Loan Bank Stock (at cost) (Note 5)	12.2	16.4
Property and Equipment (at cost, less accumulated depreciation of $9.8 and $8.8)	31.9	20.5
Excess Cost of Common Stock of Subsidiaries (Note 1d)	7.6	7.9
Other Assets	7.3	6.5
Total	$1,737.2	$1,613.7
Liabilities and Shareholder's Equity		
Savings Accounts (Note 6)	$1,390.0	$1,278.3
Advances from Federal Home Loan Bank (Note 5)	200.8	196.3
Notes Payable (Note 5)	34.0	21.1
Advance Payments by Borrowers for Taxes and Insurance	8.2	10.5
Payable to Beneficial Corporation (Note 8)	(2.1)	1.8
Deferred Federal Income Taxes (Note 8)	7.4	6.3
Other Liabilities	12.7	12.4
Total Liabilities	1,651.0	1,526.7
Shareholder's Equity (including Retained Earnings of $66.8 and $67.6) (Notes 5, 7, and 8)	86.2	87.0
Total	$1,737.2	$1,613.7

See Notes to Financial Statements.

Savings and Loan Division

Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1980	1979	(in millions)	1980	1979	1978
		Revenue			
$37.6	$32.9	Interest on Loans	$142.3	$129.2	$118.2
4.5	4.9	Investment Securities Income	17.5	14.0	9.1
.6	2.4	Income from Investment Real Estate	2.3	6.5	3.7
.8	.9	Other	2.4	4.7	2.1
43.5	41.1	Total	164.5	154.4	133.1
		Expenses			
30.5	24.3	Interest on Savings Accounts (Note 6)	118.6	93.6	80.7
5.4	5.0	Interest on Borrowed Funds	20.9	17.4	12.0
.1	1.0	Provision for Losses	.2	1.6	2.8
3.2	2.5	Salaries and Employee Benefits	12.2	11.0	10.2
4.3	3.8	Other	14.7	13.0	11.0
43.5	36.6	Total	166.6	136.6	116.7
—	4.5	Income (Loss) before Income Taxes	(2.1)	17.8	16.4
		Provision for Income Taxes (Note 8)			
(1.8)	.5	Current	(2.2)	3.0	5.0
1.2	.7	Deferred	.9	1.0	.6
(.6)	1.2	Total	(1.3)	4.0	5.6
.6	3.3	Net Income (Loss)	(.8)	13.8	10.8
66.2	66.6	Retained Earnings, Beginning of Period	67.6	56.3	46.1
66.8	69.9	Total	66.8	70.1	56.9
—	2.3	Dividends Paid (Note 11)	—	2.5	.6
$66.8	$67.6	Retained Earnings, End of Period	$ 66.8	$ 67.6	$ 56.3

See Notes to Financial Statements.

Savings and Loan Division

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Expansion, consolidation of resources, modifications in operations caused or permitted by regulatory agencies, and the effects of changes in the economy and the savings and loan business environment were factors which affected the financial condition and results of operations of the Savings and Loan Division during the three year period ended December 31, 1980. During this period the number of branch offices grew from 56 at December 31, 1977 to 64 at December 31, 1980. On February 21, 1979 the ten associations owned by the Division were merged into one, First Texas Savings Association. In August 1979, a revision of Texas usury laws permitted mortgage loan rates to increase up to 12% based on a moving index of U.S. Treasury notes. Then in December 1979, a federal override of state usury laws effectively removed all ceilings on mortgage rates allowing them to reflect market conditions. Consequently, new loans being acquired by the Division during 1979 and 1980 had an average rate of 10.77% and 12.70%, respectively, increasing the average rate on the loan portfolio to 9.86% at December 31, 1980. Rate improvement on the loan portfolio, however, could not keep pace with rising costs of savings and borrowed funds during 1979 and 1980. The spread between loan portfolio rate and cost of funds, a key earnings indicator, deteriorated substantially from 1.49% at December 31, 1978 to .72% at December 31, 1979 and a negative .05% at December 31, 1980. This, along with other factors, caused the net income from the Savings and Loan Division, prior to purchase accounting adjustments, to drop from $13.8 million in 1979 to a loss of $.8 million in 1980.

During 1980 regulations were passed authorizing flexible rate mortgages ,which permit periodic adjustment of interest rates, and the introduction of NOW accounts (negotiated orders of withdrawal) that commence to bear 5.25% interest January 1, 1981. These new regulations together with the federal override of state usury laws provide the ability to partially offset the rising cost of funds. However, it will take several years to materially improve the weighted average rate of the loan portfolio.

Results of Operations

Revenue from the Savings and Loan Division increased during the three year period ended December 31, 1980. Interest on loans increased 10%, 9%, and 14% in 1980, 1979 and 1978 compared to each previous year. Growth in loan balances and loan origination rates were the major contributing factors to this increase. The loan portfolio grew 6%, 5%, and 13% in 1980, 1979, and 1978 compared to each previous year. Usury law relief in 1979 enabled portfolio rates to increase more rapidly during 1979 and 1980 than prior years. Consequently, interest income grew faster than loan balances outstanding.

Investment securities income reflected gains of 54% and 21% in 1979 and 1978, while the increase for 1980 was 25%. These increases came from continued higher investment security balances with greater yields. In 1979 income from investment real estate climbed 76%. In 1980, however, real estate income decreased 65%. During 1978 and 1979 stimulated real estate activity prevailed which permitted the profitable disposition of real estate. This activity subsided during 1980 due to increased loan rates and a reduction in the inventory of real estate for sale.

Interest on savings accounts and borrowed funds jumped 26%, 20%, and 12% in 1980, 1979 and 1978 compared to each previous year. These dramatically rising costs were attributable in part to a growing savings portfolio and greater borrowed funds outstanding, but the principal cause was rapidly increasing rates on these funds. There has been a change in the savings portfolio mix toward shorter-term higher-yielding instruments. High cost six-month money market savings certificates continue to dominate the savings picture. Interest on savings accounts climbed 27%, 16%, and 9% in 1980, 1979, and 1978 compared to each previous year due primarily to the change in mix and related rates.

Total operating expenses have increased 13%, 13%, and 7% in 1980, 1979, and 1978 compared to each previous year. These increases are caused by the growth of the Division over the three year period and inflation.

An income tax benefit of $1.3 million resulted from the loss before income taxes of $2.1 million for 1980. Although pre-tax income was greater in 1979 than 1978, Provision for Income Taxes decreased 29% due to the merger of the company's ten savings institutions into one. The tax provision for 1978 increased 81% over 1977, due principally to increased pre-tax earnings for the year.

Capital Resources and Liquidity

The Division is building a new headquarters facility in Dallas, Texas which will be completed in 1981. Its total cost is anticipated to be $19.7 million, with $7.3 million budgeted for 1981.

The proposed acquisition of Centennial Holding Company, Houston, Texas, by Beneficial, if approved will add 15 offices in areas where the Division is not now operating.

The Savings and Loan Division finances its operations mainly through savings accounts, loan principal repayments, advances from the Federal Home Loan Bank, and earnings retained by the Division.

It does not anticipate any problems financing its operations during 1981. Positive savings flows and continued growth in NOW accounts are projected and funds are expected to be available from the Federal Home Loan Bank, if needed. Also, reduced loan demand is anticipated to continue during the first half of 1981, which lessens funds consumption. Those that are originated are now at nationally competitive rates which enhances their salability in the secondary mortgage market. Further, at such time when loan demand does return, the Division will have additional funds available from the disposition of its excess liquid investment securities.

Favorable legislation during 1979 and 1980, as previously noted, should improve profitability by permitting the Savings and Loan Division to rebuild the spread between the loan portfolio rate and cost of funds.

Savings and Loan Division

Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1980	1979	(in millions)	1980	1979	1978
		Source of Funds			
		Operations			
$ .6	$ 3.3	Net Income	$ (.8)	$ 13.8	$ 10.8
		Charges (Credits) to Income not Requiring Funds			
13.8	14.1	Interest Credited to Savings Accounts	70.0	61.0	57.7
.1	1.0	Provision for Losses	.2	1.6	2.8
.5	.3	Depreciation	1.4	1.3	1.4
1.6	.4	Other	(1.4)	(1.5)	(1.5)
16.6	19.1	Funds Provided by Operations	69.4	76.2	71.2
34.5	49.4	Loan Principal Repayments	175.0	235.6	284.5
20.1	(19.0)	Increase (Decrease) in Savings Accounts before Interest Credited	41.8	(31.0)	34.5
.4	.9	Increase in Advances from Federal Home Loan Bank	4.4	31.3	58.3
4.1	—	Proceeds from Sales of Participations and Whole Loans	9.8	—	61.2
23.9	1.6	Increase (Decrease) in Notes Payable	12.9	4.3	(2.4)
.6	(14.1)	Other	8.7	13.6	8.2
$100.2	$ 37.9		$322.0	$330.0	$515.5
		Application of Funds			
$ —	$ 2.3	Dividends Paid	$ —	$ 2.5	$ .6
74.2	70.5	Loan Originations	276.8	295.8	502.7
12.0	4.6	Increase (Decrease) in Cash	1.3	(2.5)	(.1)
(16.2)	(39.4)	Increase (Decrease) in Investment Securities and Certificates of Deposit	23.7	26.4	9.2
4.9	.5	Purchase of Property and Equipment	12.8	4.1	.7
25.3	(.6)	Other	7.4	3.7	2.4
$100.2	$ 37.9		$322.0	$330.0	$515.5

See Notes to Financial Statements.

Savings and Loan Division

Notes to Financial Statements
(amounts in millions)

1. Summary of Significant Accounting Principles and Practices

a) Affiliation and Combination Basis. The financial statements include the accounts of First Texas Financial Corporation and its subsidiaries on a historical cost basis and do not reflect purchase accounting adjustments related to the acquisition by Beneficial. Prior to February 1979, First Texas owned majority interests in ten savings and loan associations, which were merged into one upon receipt of regulatory approval in February 1979. All material intercompany transactions have been eliminated.

b) Investment Securities. Investment securities are carried at cost, adjusted for the accretion of discount and amortization of premiums. It is the intention of management that investment securities with a market value lower than amortized cost will be held to maturity or sold at minimal losses. Gains or losses on the sale of investment securities, determined on the specific cost identification basis, are reflected at the time of sale.

c) Unearned Discount on Loans Purchased. Certain mortgage loans are presented net of unearned discount which represents the adjustment of these loans to their estimated fair market value at dates of acquisition. This discount is amortized to income over the estimated remaining life (generally 8 years from dates of acquisition) of the mortgage loans by the sum-of-the-digits method.

d) Excess Cost of Common Stock of Subsidiaries. The excess cost of $2.1 of common stock of a savings and loan association acquired in 1969 is being amortized over thirty years, beginning in 1980. The excess cost of all other savings and loan associations purchased is being amortized over forty years by the straight-line method. The excess cost of insurance agencies purchased is being amortized over ten years by the straight-line method.

e) Allowances for Losses. Specific provisions for losses on mortgage and construction loans are normally charged to income when any major permanent decline occurs in the value of the collateral of a loan. For instalment loans, regular monthly charges against income providing for losses inherent in this type of loan are based on experience plus estimated losses. Interest on loans 90 days or more delinquent is removed from income by charging the reserve for uncollectible interest.

The provision for losses on foreclosed real estate is established by a charge to income when the cost of the property exceeds the estimated net realizable value. In addition, certain foreclosed real estate properties are being operated until such time as they can be sold. The cost of operating these properties, net of revenues, is included in Other Expenses.

f) Joint Ventures. Investments in joint ventures are carried at equity. Joint ventures involved in land development capitalize actual interest and ad valorem taxes incurred during the development phase. When the total investment in a specific real estate project, including holding costs, approximates or exceeds the estimated net realizable value of the property, a valuation allowance is established, if appropriate.

First Texas contributes capital to the joint venture to be used for property development. Interest is usually paid by the joint venture on the capital contributions and is recognized as income by First Texas to the extent of the profit sharing interests of the other participants. The balance of the interest is deferred and is recognized as income when the property is sold to an outside third party.

g) Property and Equipment. Property and equipment are depreciated by the straight-line method over their estimated useful lives of 3 to 40 years. Maintenance and repairs are expensed as incurred and renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, with any resulting gains or losses reflected in income.

2. Investment Securities

December 31	1980		1979	
	Amortized Cost	Market Value	Amortized Cost	Market Value
U.S. Government and Government Agency, Partially Pledged (Note 5)	$ 83.5	$ 76.5	$47.4	$44.8
Other	32.3	32.2	42.1	42.0
Total Investment Securities	$115.8	$108.7	$89.5	$86.8

3. Loans Receivable (net)

December 31	1980	1979
Mortgage Loans, Partially Pledged (Note 5)	$1,366.9	$1,290.3
Construction Loans	39.2	39.5
Instalment Loans	133.8	115.4
Single Pay Savings Account Loans	15.1	15.8
	1,555.0	1,461.0
Less: Loans in Process	(11.4)	(11.9)
Unearned Discount on Instalment Loans	(44.2)	(36.0)
	1,499.4	1,413.1
Accrued Interest	10.3	9.5
Unearned Discount on Loans Purchased	(.1)	(.3)
Allowance for Losses	(.8)	(4.7)
Loans Receivable (net)	$1,508.8	$1,417.6

Loan commitments outstanding at December 31, 1980 amounted to $64.1.

(amounts in millions)

4. Investment Real Estate (net)

December 31	1980	1979
Wholly-owned	$16.0	$10.4
Joint Ventures*	3.5	12.0
Total	19.5	22.4
Less Allowance for Losses	(.8)	(.7)
Investment Real Estate (net)	$18.7	$21.7

*Includes aggregate undistributed earnings of approximately $3.9 in 1980 and $3.3 in 1979.

Joint venture activities consist mainly of land development and sale. During 1980, two joint ventures amounting to $5.4 were acquired as wholly-owned property and First Texas' interest in a third venture of $2.8 was sold to its partners at a profit of $.3.

5. Borrowed Funds and Restrictions on Use of Surplus

The stock in the Federal Home Loan Bank of Little Rock and certain mortgage loans are pledged as collateral to secure advances from the FHLB.

Data for advances from the FHLB for the years ended December 31 are:

	1980	1979
Maximum amount at any month end	$200.8	$196.7
Month-end average amount	194.9	177.8
Average interest rate (based on month-end weighted rates)	9.88%	8.88%

Notes Payable are as follows:

December 31	1980	1979
Due to bank in quarterly instalments through September 1984 of $.4 at prime rate plus .75% (maximum rate, 9½%)	$ 6.0	$ 7.6
Reverse repurchase agreements due in various instalments through April 1981, interest rates 10.20% to 18.50%	28.0	13.5
Total Notes Payable	$34.0	$21.1

The note due September 1984 is secured by 650 shares of common stock of the savings and loan subsidiary. The loan agreement relating to this note contains certain limitations and restrictions. At December 31, 1980 First Texas was in compliance with the terms of the loan agreement. The reverse repurchase agreements are secured by U.S. government obligations.

Data for Notes Payable for the years ended December 31 are:

	1980	1979
Maximum amount at any month end	$34.0	$21.1
Month-end average amount	18.4	16.3
Average interest rate (based on month-end weighted rates)	12.74%	10.37%

The maturities of borrowed funds and their weighted average interest rates are as follows:

December 31	1980		1979	
Maturity	Amount	Weighted Rate	Amount	Weighted Rate
1980	$ —	—%	$ 88.4	9.93%
1981	168.5	12.06	85.9	9.41
1982	42.5	9.71	23.3	9.64
1983	22.6	8.85	18.6	8.54
1984	1.2	9.50	1.2	9.50
Total Borrowed Funds	$234.8	11.31%	$217.4	9.57%

6. Savings Accounts

Savings accounts by rate are as follows:

December 31	1980	1979
5.25%	$ 6.0	$ .4
5.50	225.4	251.2
6.50	24.1	62.7
6.75	17.3	37.5
7.50	159.2	285.6
7.75	99.0	159.2
8.00	36.7	53.7
Money Market		
11.59	758.5	—
10.65	—	371.3
Other	63.8	56.7
Total Savings Accounts	$1,390.0	$1,278.3
Weighted Rates	9.67%	8.23%

Interest on Savings Accounts is net of early withdrawal penalties of $5.9 in 1980, $1.7 in 1979 and $.6 in 1978.

7. Retained Earnings

The savings and loan subsidiary maintains general reserves required by federal and state regulations. Reserve requirements represent a restriction on retained earnings, and cash

dividends may not be charged against restricted retained earnings. During 1980, federal regulations were revised to eliminate the requirement to transfer retained earnings to a separate general reserve account. A summary of Retained Earnings follows:

December 31	1980	1979
Restricted	$44.2	$44.6
Unrestricted	22.6	23.0
Total Retained Earnings	$66.8	$67.6

8. Income Taxes

A consolidated federal income tax return was filed by First Texas and its subsidiaries prior to acquisition by Beneficial. Results of operations subsequent to acquisition are included in Beneficial's consolidated return. For years in which First Texas has taxable income, the provision for federal income taxes for financial statement purposes is approximately the same as it would have been had a separate return been filed. The tax allocation agreement with Beneficial provides reimbursement to loss subsidiaries on a pro rata basis to the extent of tax savings generated in the consolidated return. The item Payable to Beneficial Corporation is for federal income taxes payable. Under conditions prescribed by the Internal Revenue Code, deductions from taxable income, within limitations, are permitted for additions to bad debt reserves. In computing federal income taxes for financial statement purposes, such deductions for twelve months ended December 31, were $.3 for 1980, $9.2 for 1979 and $7.5 for 1978. Retained Earnings at December 31, 1980 includes deductions totaling $54.8 before reduction by $9.1 for purchase accounting adjustments, for which no provision for federal income taxes has been made. If, in the future, the amounts deducted are used for any purpose other than to absorb losses, a tax liability will be imposed at the then current federal income tax rate. It is not contemplated that tax bad debt reserves will be used in any manner which will create a federal income tax liability. However, if at December 31, 1980 the total amount had been used other than to absorb losses, this liability would have been approximately $25.2. Investment credit is included in earnings at the time of its realization.

A reconciliation between the expected and the effective federal income tax rates is as follows:

	1980	1979	1978
Expected Federal Income Tax Rate	(46.0)%	46.0%	48.0%
Adjustments			
Bad Debt Deduction Adjusted for Gain on Sales of Foreclosed Real Estate and Provisions for Losses	(12.9)	(25.6)	(15.5)
Minimum Tax on Tax Preference Items	—	1.3	2.3
Investment Tax Credit	(4.1)	—	(.1)
Other	.8	.8	(.8)
Effective Federal Income Tax Rate	(62.2)%	22.5%	33.9%

Deferred taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. Charges (credits) to the deferred tax provision are related to:

	1980	1979	1978
Adjustment to Cash Basis of Accounting	$.6	$1.2	$.8
Holding Costs on Investment Real Estate	.3	(.2)	(.2)
Total Deferred Taxes	$.9	$1.0	$.6

9. Employees' Retirement Plan

First Texas has a variable unit benefit plan which is integrated with social security and is administered by a Retirement Committee. Benefits under the plan are computed on an actuarial basis and become fully vested when an employee has completed 10 years of service. The policy is to fund accrued pension costs. Sufficient contributions are made to amortize unfunded past service costs (aggregating $1.6 at January 1, 1980, the latest actuarial valuation date) over a 20-year period. The amounts charged to income amounted to $.8 for 1980 and $.7 for 1979 and for 1978. Accumulated plan benefits and plan net assets for the company's defined benefit plan are:

January 1	1980	1979
Actuarial Present Value of Accumulated Plan Benefits		
Vested	$3.7	$3.2
Nonvested	.6	.6
Total Actuarial Present Value of Accumulated Plan Benefits	$4.3	$3.8
Net Assets Available for Benefits	$5.9	$4.8

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6% for the 1980 and 1979 valuations.

10. Contingencies

First Texas is the defendant in lawsuits which have arisen during the ordinary course of business. In one lawsuit alleging failure to honor a loan commitment, a judgement of $1.0 has been rendered against First Texas. The management of First Texas believes that it has meritorious defenses which it plans to pursue upon appeal; and that the effect on shareholder's equity, if any, from the disposition of these suits will be immaterial.

11. Dividends and Shareholder's Equity

At December 31, 1979 First Texas distributed the stock of FTS Life Insurance Company, a wholly-owned subsidiary, as a dividend in the amount of $2.3 to Beneficial. Prior to acquisition by Beneficial, First Texas paid its shareholders a cash dividend of $.2 in 1979.

Prior to its acquisition by Beneficial, all outstanding stock options were redeemed and minority interests in subsidiaries were acquired by issuance of stock. In December 1979 Beneficial made a capital contribution of $2.2.

12. Centennial Acquisition

Upon completion of the acquisition of Centennial Holding Company by Beneficial Corporation, it is expected that Centennial Savings Association will be merged with and be operated by First Texas.

Accountants' Opinion

The Board of Directors
Beneficial Corporation

We have examined the consolidated balance sheets of Beneficial Corporation Savings and Loan Division (First Texas Financial Corporation and subsidiaries) as of December 31, 1980 and 1979 and the related consolidated statements of income and retained earnings and changes in financial position for each of the years in the three-year period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Beneficial Corporation Savings and Loan Division at December 31, 1980 and 1979 and the results of its operations and changes in its financial position for each of the years in the three-year period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Dallas, Texas
February 6, 1981

Merchandising Division
Balance Sheet

(in millions) December 31	1980	1979
Assets		
Current Assets		
Cash (Note 4)	$ 30.5	$ 51.6
Receivables (Note 1b)		
Instalment	578.8	600.8
Revolving	134.2	72.1
Wholesale	120.2	181.2
	833.2	854.1
Less Unearned Finance Charges	(107.2)	(108.2)
	726.0	745.9
Less Allowance for Doubtful Receivables	(43.5)	(45.6)
	682.5	700.3
Receivables Transferred to Beneficial (Note 9)	(118.3)	(165.7)
Net Receivables	564.2	534.6
Equity in Receivables Transferred to Beneficial (Note 9)	6.4	9.1
Inventories (Note 1c)	168.2	202.1
Prepaid Expenses	18.5	17.5
Total Current Assets	787.8	814.9
Property and Equipment (at cost, less accumulated depreciation of $52.5 and $48.9) (Note 1e)	76.4	83.9
Other Assets	3.0	4.5
Total	$867.2	$903.3
Liabilities and Shareholder's Equity		
Current Liabilities		
Short-Term Notes (Note 4)	$171.9	$171.4
Long-Term Debt Due Within One Year (Note 5)	1.0	6.0
Accounts Payable	79.0	94.4
Payable to Beneficial (Notes 1d and 4)	82.7	102.0
Deferred Federal Income Taxes (Note 7)	60.9	62.4
Accrued Taxes, Warranties, and Other Liabilities	67.3	62.2
Total Current Liabilities	462.8	498.4
Long-Term Debt (Note 5)	121.5	126.2
Deferred Federal Income Taxes (Note 7)	8.1	7.4
Total Liabilities	592.4	632.0
Shareholder's Equity (including Retained Earnings of $158.6 and $155.1) (Note 5)	274.8	271.3
Total	$867.2	$903.3

See Notes to Financial Statements.

Merchandising Division
Statement of Income and Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1980	1979	(in millions)	1980	1979	1978
$310.4	$335.1	**Net Sales and Other Revenue**	$1,081.2	$1,176.9	$1,115.9
		Expenses			
210.7	223.0	Cost of Sales (including certain buying and occupancy expenses)	758.2	810.1	776.2
77.3	95.0	Selling and Administrative Expense	266.6	308.7	299.3
—	2.7	Provision for Store Closings and Other Items (Note 2)	—	11.2	—
—	—	Provision for Customs Duties (Note 3)	2.6	—	—
		Interest Expense			
1.7	2.1	Beneficial	7.1	6.8	7.3
8.0	10.9	Other	35.9	36.9	26.3
—	—	Gain on Sale of Real Estate (Note 8)	—	(1.2)	—
297.7	333.7	Total	1,070.4	1,172.5	1,109.1
12.7	1.4	**Income before Income Taxes**	10.8	4.4	6.8
		Provision for Income Taxes (Note 7)			
		Federal			
2.0	(4.2)	Current	2.0	(1.3)	1.8
3.2	4.3	Deferred	2.2	1.8	.1
.9	(.1)	State	1.0	.4	.6
6.1	—	Total	5.2	.9	2.5
6.6	1.4	**Net Income**	5.6	3.5	4.3
154.1	229.6	**Retained Earnings, Beginning of Period**	155.1	227.5	227.6
160.7	231.0	Total	160.7	231.0	231.9
2.1	75.9	**Dividends Paid** (Note 1h)	2.1	75.9	4.4
$158.6	$155.1	**Retained Earnings, End of Period**	$ 158.6	$ 155.1	$ 227.5

See Notes to Financial Statements.

Merchandising Division
Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The Merchandising Division consists of Spiegel, Inc. and Subsidiaries and Western Auto Supply Company and Subsidiaries. Reorganization, consolidation of resources, and changing economic trends were major factors affecting the financial condition and results of operations during the three-year period ended December 31, 1980. Spiegel has reorganized and restructured its catalog service, offering a department store in print stressing higher quality and more stylish merchandise. Along with its new marketing plan, Spiegel initiated a number of innovations in services including toll-free telephone ordering.

Major changes have also been made to improve the operations of Western Auto. In September 1979 Western Auto closed 116 unprofitable stores. Western Acceptance Company was dividended to Beneficial Corporation at December 31, 1979, and Midland International Corporation was restructured and transferred to Western Auto on January 1, 1980. Western Auto is taking action to improve productivity and its ability to be a cost-efficient supplier. Emphasis is being directed to value, basics, energy, and automotive within its product mix. Conversion to revolving credit was emphasized in 1980, acknowledging the increased sales potential of these better credit customers.

Net income decreased from $7.8 million in 1977 to $4.3 million in 1978 and to $3.5 million in 1979. For 1980 net income was $5.6 million. The positive action taken by management aided Western Auto in achieving net income for 1980 of $4.8 million in contrast to a loss of $4.6 million in 1979. Spiegel net income declined from $8.1 million in 1979 to $.8 million in 1980.

Results of Operations

Net sales and other revenue decreased 8% in 1980, increased 5% in 1979, and decreased 5% in 1978 compared to each previous year. The decrease in 1980 was due mainly to the reduced sales of Western Auto, which had an $80.9 million decrease due principally to the closing of unprofitable retail and associate stores. Also contributing to the decrease in net sales and other revenue was the transfer of Western Acceptance and Guaranteed Equity Life to Beneficial and the withdrawal of Midland from the consumer electronics market. The deteriorating economy which started in the early part of 1980 also adversely affected the sales of both Western Auto and Spiegel. The growth in net sales and other revenues during 1979 was mainly attributable to a $56.1 million increase at Spiegel. New Spiegel merchandising campaigns and the favorable response to its catalogs were responsible for this improvement.

Cost of sales as a percentage of net sales and other revenues was 70.1%, 68.8%, and 69.6% in 1980, 1979, and 1978, respectively. Due to competitive pressures on pricing, Western Auto's gross margin declined during 1980. Spiegel's gross margin showed a slight improvement.

Selling and administrative expenses decreased 14% in 1980, increased 3% in 1979, and decreased 2% in 1978 compared to each previous year. Decreases in these expenses during 1980 occurred primarily at Western Auto as a result of operating fewer retail stores, reductions in management personnel, reductions in advertising and sales promotion costs, and the charge to Beneficial for administering the consumer receivables transferred. Increases in 1979 were the result of higher advertising costs and the impact of inflation on other expenses. The decrease in 1978 reflected curtailment of activities at Midland.

Interest expense decreased 2% in 1980 and increased 30%, and 12% in 1979 and 1978, respectively. During 1980 Western Auto began financing short-term capital needs by selling consumer receivables to Beneficial. This resulted in a reduction of $11.5 million, or 68%, in interest expense for Western Auto during 1980. Spiegel's interest expense increased substantially, $10.9 million (41%), during 1980 due to increased borrowings at higher interest rates. Increased interest expense during 1979 reflected escalating interest rates coupled with additional borrowing required for higher customer receivables. Higher interest rates, a program of independent short-term financing for Spiegel, and an increase in the loan portfolio of the consumer finance subsidiary at Spiegel were responsible for the 12% increase in interest expense in 1978.

The higher effective income tax rate for 1980 resulted from the unfavorable comparison to prior years during which tax provisions were lower due to the combination of factors detailed in Note 7 to the Financial Statements.

Capital Resources and Liquidity

The Merchandising Division finances its operations largely through independent short-term and long-term borrowings, borrowings from Beneficial, the sale by Western Auto of consumer receivables to Beneficial and receivable collections. To counterbalance the adverse effects of inflation and recessionary trends in the economy, the Division has taken positive steps to improve its liquidity. Western Auto's working capital increased from $163.8 million at December 31, 1979 to $171.8 million at December 31, 1980, and the ratio of current assets to current liabilities increased from 2.49 to 2.64. Spiegel's liquidity did not change significantly during 1980 despite the adverse effects of high interest rates. Certain operating fund requirements are met through short-term bank borrowings. At December 31, 1980, $40.5 million in unused bank lines was available to Spiegel under various informal arrangements.

Merchandising Division
Statement of Changes in Financial Position

(Unaudited) Three Months Ended December 31 1980	1979	(in millions)	Years Ended December 31 1980	1979	1978
		Source of Funds			
$ 6.6	$ 1.4	Net Income	$ 5.6	$ 3.5	$ 4.3
		Expenses Not Requiring Working Capital			
2.5	2.8	Depreciation	10.4	11.0	9.9
.7	.7	Deferred Income Taxes	.7	1.6	.9
9.8	4.9	Funds Provided by Operations	16.7	16.1	15.1
—	—	Long-term Debt Issued	—	1.7	—
.8	2.3	Disposals of Property and Equipment	1.6	3.6	1.1
.1	—	Other	1.8	—	.5
$ 10.7	$ 7.2		$ 20.1	$ 21.4	$ 16.7
		Application of Funds			
$ 1.0	$ 1.2	Additions to Property and Equipment	$ 3.9	$ 10.7	$ 11.8
.9	.5	Reduction of Long-Term Debt	4.7	8.1	106.6
2.1	75.9	Dividends Paid	2.1	75.9	4.4
.2	1.2	Other	.9	2.3	.4
6.5	(71.6)	Increase (Decrease) in Working Capital	8.5	(75.6)	(106.5)
$ 10.7	$ 7.2		$ 20.1	$ 21.4	$ 16.7
		Changes in Working Capital			
		Increase (Decrease) in Current Assets			
$ (7.8)	$ .9	Cash	$(21.1)	$ 16.8	$ 19.3
41.2	(155.8)	Net Receivables	29.6	(126.9)	(4.3)
(1.9)	9.1	Equity in Receivables Transferred	(2.7)	9.1	—
(17.6)	(7.2)	Inventories	(33.9)	16.1	(17.1)
(3.3)	(4.4)	Prepaid Expenses	1.0	(.9)	5.9
10.6	(157.4)		(27.1)	(85.8)	3.8
		Increase (Decrease) in Current Liabilities			
9.3	(91.0)	Short-Term Notes and Long-Term Debt Due Within One Year	(4.5)	(21.8)	161.8
.3	(4.4)	Accounts Payable	(15.4)	(16.7)	12.0
(7.3)	11.5	Payable to Beneficial	(19.3)	24.9	(61.2)
2.0	4.4	Deferred Income Taxes	(1.5)	1.3	(1.4)
—	(4.3)	Accrued Store Closings and Other Items	—	2.4	(4.5)
(.2)	(2.0)	Other Current Liabilities	5.1	(.3)	3.6
4.1	(85.8)		(35.6)	(10.2)	110.3
$ 6.5	$ (71.6)	Increase (Decrease) in Working Capital	$ 8.5	$ (75.6)	$(106.5)

See Notes to Financial Statements.

Merchandising Division

Notes to Financial Statements
(amounts in millions)

1. Summary of Significant Accounting Principles and Practices

a) Affiliation and Combination Basis. The financial statements include the accounts of Spiegel, Inc. (Spiegel) and Subsidiaries, and Western Auto Supply Company (Western Auto) and Subsidiaries. All significant intercompany items have been eliminated.

b) Receivables. Receivables consist of the following: a) instalment accounts, for which finance charges are recorded in income by either the effective yield method or sum-of-the-years digits method; b) revolving accounts, for which finance charges are recorded in income when billed to the customers; c) amounts due from associate store owners for merchandise and from certain other wholesale customers, which normally do not earn finance charges if paid within the trade terms; and d) amounts due from customers of associate store owners, which earn finance charges calculated on the sum-of-the-years digit method. Instalment Accounts Receivable include $94.4 at December 31, 1980 and $115.9 at December 31, 1979 of consumer finance receivables of a subsidiary of Spiegel.

In accordance with merchandising industry practice, receivables, including receivables transferred to Beneficial (before deduction of unearned finance charges), include amounts becoming due after one year of $391.6 at December 31, 1980 and $396.5 at December 31, 1979.

c) Inventories. Inventories are stated at the lower of cost (first-in, first-out) or net realizable value.

d) Taxes on Income. Results of operations are included in the consolidated federal income tax return of Beneficial. The total provisions for federal income taxes for financial statement purposes are approximately the same as they would have been had the companies filed separate returns. The item Payable to Beneficial includes federal income taxes payable.

e) Property and Equipment. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives.

Maintenance and repairs are expensed as incurred. Renewals and betterments are capitalized. The cost and accumulated depreciation of property and equipment retired, sold, or otherwise disposed of are eliminated from the accounts at the time of disposal, and any resulting gain or loss is reflected in income.

f) Employee Retirement Plans. Current retirement plan costs and provision for funding prior service costs are charged to expense.

g) Accruals for Merchandise Warranties. Reserves are maintained to provide for anticipated costs relating to merchandise under warranty not covered by manufacturers' warranties.

h) Transfers of Subsidiaries. At December 31, 1979 Spiegel distributed the stock of Guaranteed Equity Life Insurance Company, a wholly-owned subsidiary, as a dividend in the amount of $7.8; and Western Auto distributed the stock of Western Acceptance Company, a wholly-owned subsidiary engaged in the purchase of customer receivables of Western Auto retail and associate stores, as a dividend in the amount of $68.1 to Beneficial. The operations of Guaranteed Equity Life and Western Acceptance for the year 1979 are included in the statement of income of the Merchandising Division, but their assets and liabilities are not included in the balance sheet.

On January 1, 1980 Beneficial contributed the stock of Midland International Corporation, a wholly-owned Merchandising Division subsidiary, to Western Auto. Prior period amounts pertaining to Western Auto have been restated to include Midland.

2. Store Closings and Other Items

In September 1979 Western Auto closed 116 unprofitable retail stores and provided $8.5 for the anticipated cost of retail store closings. In December 1979 Western Auto provided $2.7 for losses on the sale of certain instalment accounts.

3. Provision for Customs Duties

At March 31, 1980 Midland and Western Auto established a provision of $2.6 as a result of an agreement for the settlement of claims for dumping duties on television sets imported from Japan by Midland and Western Auto through March 1979. However, the U.S. government has been enjoined from putting the settlement into effect pending a determination whether the government had authority to enter into the settlement.

Prior to entering into the settlement agreement, the U.S. Customs Service had assessed Midland $5.1 million for dumping duties on T.V. sets imported by Midland from Japan from 1969 through 1974. Midland filed protests contesting these assessments. If the settlement is not consummated, Midland estimates that additional assessments for T.V. sets imported after 1974 will not exceed $3.0 million.

Western Auto, which has not been assessed any dumping duties, estimates that assessments on T.V. sets of Japanese manufacture it imported from January 1976 to approximately April 1977 would not exceed $5.1 million, assuming Customs uses methods similar to those utilized with respect to Midland's imports. Western Auto continued to import these T.V. sets through December 1978 but is presently unable to estimate what assessments, if any, might be made on such sets if the pending settlement is set aside.

4. Short-Term Notes

Short-term notes consist of notes payable to banks of $171.9 at December 31, 1980 and of $171.4 at December 31, 1979.

(amounts in millions)

Spiegel meets certain operating fund requirements through short-term bank borrowings. At December 31, 1980 $40.5 in unused bank lines was available to the company under various informal arrangements. Most arrangements provide for the maintenance of bank balances based on a percentage of the available line and related borrowing, while others are based on a fixed fee. Average compensating bank balances of $33.9 were required to support bank lines at December 31, 1980.

Western Auto's subsidiary, Midland, and the consumer loan subsidiary of Spiegel also borrow operating funds from Beneficial at an interest rate of 7½%.

5. Long-Term Debt and Restrictions on Use of Retained Earnings

A summary of long-term debt follows:

December 31	1980	1979
Debentures		
7.85%, due 1996, with annual sinking fund payments	$ 36.7	$ 40.5
5.25%, due 1983	40.0	40.0
5%, due 1987	40.0	40.0
5.9% subordinated notes, due 1980	—	5.0
Other long-term debt	5.8	6.7
	122.5	132.2
Less long-term debt due within one year	(1.0)	(6.0)
	$121.5	$126.2

Annual long-term debt and sinking fund payments for the five years subsequent to 1980 are as follows: 1981, $1.0; 1982, $.9; 1983, $42.5; 1984, $2.7; and 1985, $2.5.

The companies' long-term debt agreements contain certain covenants restricting the payment of dividends, the purchase and retirement of the companies' capital stock, investments and indebtedness. Under the terms of the most restrictive covenants, approximately $49.5 at December 31, 1980 was available for the payment of dividends to Beneficial Corporation.

6. Employee Profit Sharing and Retirement Plans

Profit sharing and retirement plans cover substantially all employees who have met specific requirements. The companies' contributions to these plans (charged to earnings) were $7.7, $7.8 and $5.9 for 1980, 1979 and 1978, respectively. Accumulated plan benefits and plan net assets for the companies' defined benefit plans are:

January 1	1980	1979
Actuarial Present Value of Accumulated Plan Benefits		
Vested	$35.9	$34.8
Nonvested	4.3	3.1
Total Actuarial Present Value of Accumulated Plan Benefits	$40.2	$37.9
Net Assets Available for Benefits	$35.3	$29.9

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.6% and 6.5% for the 1980 and 1979 valuations.

7. Federal Taxes on Income

Deferred taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. Charges (credits) to the deferred tax provision are related to:

	1980	1979	1978
Provision for store closings and other items	$ .8	$(1.1)	$1.5
Instalment basis for gross profit on credit sales	4.1	1.8	(.8)
Depreciation	.5	.7	.6
Provision for doubtful receivables	.1	.3	.3
Provision for merchandise warranties	(.1)	(.2)	(.7)
Advertising costs	(2.2)	—	—
Inventory valuation reserve	(1.0)	—	—
Gain on sale of real estate	—	.3	—
Other	—	—	(.8)
	$ 2.2	$ 1.8	$ .1

A reconciliation between the expected and the effective federal income tax rates is as follows:

	1980	1979	1978
Expected Tax Rate	46.0%	46.0%	48.0%
Increases (Decreases) in Tax Resulting from			
Income of insurance subsidiaries taxed at lower effective rates	—	(11.7)	(6.0)
Gain on sale of real estate taxed at capital gains rates	—	(5.0)	—
State and local income taxes	(4.3)	(4.5)	(4.0)
Investment tax credit	(2.8)	(5.2)	(8.8)
Differential between U.S. and foreign tax rates	(3.8)	—	—
Contribution of certain properties	—	—	(6.3)
Other	3.8	(8.2)	5.0
	38.9%	11.4%	27.9%

8. Gain on Sale of Real Estate

In 1979 a gain of $1.2 ($.9 after taxes) resulted from the sale of excess land by Western Auto.

9. Transactions with Affiliates

Western Auto sells, with recourse, customer receivables generated by retail stores and associate stores to Beneficial. Western Auto is paid 95% of the gross customer receivables sold to Beneficial and maintains the reserve for credit losses applicable to receivables sold. Administration of the credit function is performed by Western Auto. During 1980 Beneficial paid Western Auto $13.3 for administration of consumer receivables transferred. Insurance subsidiaries of Beneficial offer credit life insurance to Spiegel customers as well as to certain borrowers from a consumer loan subsidiary of Spiegel. Prior to 1980 the life insurance subsidiary of Spiegel (transferred to Beneficial at December 31, 1979) assumed under reinsurance 100% of the coverage. Premiums paid to the subsidiaries of Beneficial were $4.7, $5.9, and $5.9 in 1980, 1979 and 1978. The excess of earned premiums over claims incurred and the deduction of the retention by the insurance subsidiaries of Beneficial for these expenses and a risk charge were paid to Spiegel and its subsidiaries in amounts aggregating $.9 in 1980, $1.6 in 1979 and $1.5 in 1978.

The cost to Western Auto for employee group life and accident and health insurance coverage provided by an insurance subsidiary of Beneficial was $3.7 in 1980, $3.8 in 1979 and $1.3 in 1978.

Beneficial provides certain services for the collection of mail-order receivables of Spiegel. Charges to Spiegel for such services aggregated $2.9 in 1980, $2.7 in 1979 and $3.0 in 1978.

Western Auto sold to Beneficial in 1980 and 1979 for $1.2 and $2.6, respectively, instalment accounts with a face value of $2.2 and $3.6.

10. Leases

The companies occupy certain warehouse facilities and stores and use certain equipment under operating leases. Rent expense was $15.3 in 1980, $17.4 in 1979, and $18.6 in 1978. Minimum lease commitments at December 31, 1980 are:

1981	$ 9.0
1982	7.7
1983	6.8
1984	5.9
1985	5.1
1986 through 1990	10.9
1991 through 1995	2.5
Thereafter	.8
Total	$48.7

It is expected that, in the normal course of business, leases which expire will be renewed or replaced with leases on other properties; thus, it is expected that future minimum annual rentals will not be less than those for 1980.

11. Supplementary Financial Data Adjusted For Effects of Changing Prices (Unaudited)

In accordance with Financial Accounting Standards Board Statement No. 33, Western Auto has developed supplementary information for inventory and fixed assets. This information is included in the Form 10-K of Western Auto filed with the Securities and Exchange Commission. Spiegel is not required to develop or report such information.

12. Information by Group

The Merchandising Division consists of Spiegel and Western Auto, and their respective subsidiaries. Spiegel is engaged in the sale through catalogs of merchandise by mail. A subsidiary of Spiegel solicits personal unsecured loans by direct mail. Western Auto sells its merchandise at retail through company-owned stores and to independently-operated associate stores.

Western Auto sells immaterial amounts of merchandise to Spiegel at prices generally comparable to those charged unaffiliated customers.

Information at December 31 and for the years then ended is as follows:

Merchandising Division

Notes to Financial Statements *(concluded)*
(amounts in millions)

1980	Spiegel	Western Auto	Adjustments and Eliminations	Com-bined
Net Sales and Other Revenue	$412.0	$669.5	$ (.3)	$1,081.2
Operating Profit	38.9	17.5		56.4
Interest Expense				(43.0)
Provision for Customs Duties				(2.6)
Income Before Taxes	1.2	9.6		10.8
Net Income	.8	4.8		5.6
Receivables, Net of Unearned Finance Charges (a	456.3	269.7(b		726.0
Inventories	45.2	123.0		168.2
Shareholder's Equity	86.5	188.3		274.8
Identifiable Assets	526.8	340.4		867.2

1979	Spiegel	Western Auto	Adjustments and Eliminations	Com-bined
Net Sales and Other Revenue	$426.8	$750.7	$ (.6)	$1,176.9
Operating Profit	41.0	17.1		58.1
Interest Expense				(43.7)
Provision for Store Closings and Other Items				(11.2)
Gain on Sale of Real Estate				1.2
Income (Loss) Before Taxes	14.2	(9.8)		4.4
Net Income (Loss)	8.1	(4.6)		3.5
Receivables, Net of Unearned Finance Charges (a	472.7	273.2(b		745.9
Inventories	52.3	149.8		202.1
Shareholder's Equity	86.0	185.3		271.3
Identifiable Assets	563.4	345.1	(5.2)	903.3

1978	Spiegel	Western Auto	Adjustments and Eliminations	Com-bined
Net Sales and Other Revenue	$370.7	$745.8	$ (.6)	$1,115.9
Operating Profit	28.4	12.0		40.4
Interest Expense				(33.6)
Income (Loss) Before Taxes	9.9	(3.1)		6.8
Net Income (Loss)	6.0	(1.7)		4.3
Identifiable Assets	486.2	509.0	(4.4)	990.8

a) Excludes intradivision receivables.
b) Includes receivables transferred to Beneficial Corporation.

Accountants' Opinion

The Board of Directors
Beneficial Corporation

We have examined the balance sheets of Beneficial Corporation Merchandising Division (Spiegel, Inc. and Subsidiaries, and Western Auto Supply Company and Subsidiaries, combined) as of December 31, 1980 and 1979 and the related statements of income and retained earnings and changes in financial position for each of the years in the three-year period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned combined financial statements present fairly the financial position of the Beneficial Corporation Merchandising Division at December 31, 1980 and 1979 and the results of its operations and changes in its financial position for each of the years in the three-year period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Kansas City, Missouri
February 6, 1981

Beneficial Corporation and Subsidiaries
Eleven-Year Summary

Supplemental Information (amounts in millions, except where noted) Years Ended December 31	1980	1979
During The Year		
Consolidated		
Net Income	$ 94.0	101.1
Earnings per Common Share (dollars)	$ 3.45	4.24
Average Number of Common Shares	22.3	22.2
Cash Dividends Paid per Common Share (dollars)	$ 2.00	1.95
Finance Division		
Volume of Finance Receivables Acquired less Unearned Finance Charges	$2,734.5	3,226.4
Number of Finance Receivables Acquired (b	1.8	2.8
Average Amount of Transaction (dollars) (b	$ 1,520	1,177
% of Monthly Cash Principal Collections to Average Monthly Balances	4.01	4.37
% of Finance Receivables Charged Off (less recoveries) to Average Monthly Balances	2.34	1.87
Revenue	$1,323.2	982.9
Interest	$ 395.4	243.8
Provision for Credit Losses (less recoveries)	$ 107.2	102.4
Total Expenses	$1,166.4	826.6
Income before Income Taxes	$ 154.8	156.9
Income from Finance Division	$ 100.8	99.6
% of Income from Finance Division to Revenue	7.62	10.13
Savings and Loan Division		
Revenue	$ 164.5	154.4
Income (Loss) before Income Taxes	$ (2.1)	17.8
Net Income (Loss) of Savings and Loan Division	$ (.8)	13.8
% of Net Income (Loss) to Revenue	(.49)	8.94
Equity of Beneficial in Net Income and Purchase Accounting Adjustments	$ 3.1	12.6
Merchandising Division		
Net Sales and Other Revenue	$1,081.2	1,176.9
Income before Income Taxes	$ 10.8	4.4
Income from Merchandising Division	$ 5.6	3.5
% of Income from Merchandising Division to Net Sales and Other Revenue	.52	.30
Interest Expense, After Income Taxes, Related to Investment in Non-Consolidated Subsidiaries	$ (15.5)	(14.6)
At Year End		
Consolidated		
Total Assets	$6,030.2	6,028.2
Short-Term Debt	$ 814.4	974.4
Long-Term Debt	$3,336.0	3,324.7
Redeemable Preferred Stock	$ 125.0	103.0
Shareholders' Equity excluding Redeemable Preferred Stock	$ 959.3	930.5
Number of Employees	23,300	26,400
Number of Holders of Common Stock	31,200	32,000
Finance Division		
Finance Receivables less Unearned Finance Charges	$4,252.9	4,264.0
Reserve for Credit Losses	$ 194.8	203.7
% of Reserve for Credit Losses to Principal of Finance Receivables	4.58	4.78
% of Finance Receivables (account balances, loans only) with Payments More than Two Months Delinquent (based upon recency of payment) (c	1.55	1.26
Number of Accounts	3.2	3.7
Average Account Balance (dollars)	$ 1,344	1,154

a) Excludes Extraordinary Credit of $12.1 million from sale of undeveloped land by a non-consolidated subsidiary. Earnings per Common Share excludes Extraordinary Credit of $.64.
b) Excludes bank credit card receivables.
c) Excludes receivables of West German subsidiary.

1978	1977	1976	1975	1974	1973	1972	1971	1970
98.3	85.7	100.4	73.4	63.7(a	75.8	82.2	68.7	59.2
4.19	3.64	4.52	3.34	2.83(a	3.51	3.92	3.22	2.71
22.1	21.8	20.4	19.1	19.1	18.7	18.4	18.1	17.9
1.70	1.60	1.4375	1.25	1.25	1.20	1.10	1.0667	1.0667
2,690.3	2,261.9	1,900.3	1,553.6	1,669.2	1,739.4	1,632.9	1,461.8	1,368.8
2.4	2.1	1.8	1.5	1.9	2.2	2.1	1.9	1.9
1,098	1,063	1,057	1,028	885	799	759	753	711
4.43	4.34	4.35	4.28	4.45	4.94	4.90	4.82	4.63
1.57	1.74	2.04	2.42	2.12	1.82	1.56	1.57	1.40
769.5	640.4	536.5	460.3	452.5	416.3	376.9	336.1	305.4
162.4	124.1	95.6	82.7	90.8	76.6	63.3	57.0	61.6
70.9	65.7	60.4	54.8	51.1	40.8	34.0	28.6	25.3
593.2	483.4	399.3	344.2	345.8	302.6	263.9	229.8	214.9
174.1	153.7	132.5	110.0	95.5	112.6	114.7	107.8	96.8
101.5	86.4	73.0	58.3	51.2	58.7	65.1	56.6	52.4
13.19	13.49	13.61	12.67	11.31	14.10	17.27	16.84	17.16
133.1	115.9	102.9	87.8	78.7	64.7	50.5	37.6	28.2
16.4	11.3	3.7	2.5	4.7	8.8	7.5	4.4	3.0
10.8	8.2	2.9	2.7	3.9	7.8	5.9	3.8	2.4
8.11	7.08	2.82	3.08	4.96	12.06	11.68	10.11	8.51
2.5	—	—	—	—	—	—	—	—
1,115.9	1,178.6	1,206.3	1,020.4	1,039.2	1,062.6	985.4	878.5	800.0
6.8	14.1	70.8	46.6	39.6	45.0	43.7	33.1	21.6
4.3	7.8	35.8	22.8	19.9	23.3	22.4	16.8	11.1
.39	.66	2.97	2.23	1.91	2.19	2.27	1.91	1.39
(10.0)	(8.5)	(8.4)	(7.7)	(7.4)	(6.3)	(5.3)	(4.7)	(4.3)
3,881.1	3,321.2	2,727.9	2,545.0	2,435.0	2,356.3	2,285.4	2,094.9	1,959.4
520.0	413.9	301.4	309.1	289.9	265.6	255.7	298.3	253.1
2,210.0	1,861.7	1,492.9	1,355.3	1,360.5	1,353.3	1,302.4	995.0	966.1
—	—	—	—	—	—	—	—	—
886.5	835.1	791.2	723.8	689.0	637.5	591.2	539.4	499.9
25,500	25,100	24,900	26,600	29,300	32,900	33,100	32,000	31,600
33,200	32,700	31,700	29,900	30,000	29,300	29,300	29,400	30,900
3,015.4	2,526.2	2,085.0	1,828.4	1,781.5	1,700.7	1,579.7	1,441.3	1,366.5
147.8	126.3	106.3	95.0	92.6	86.7	82.1	76.4	73.7
4.90	5.00	5.10	5.20	5.20	5.10	5.20	5.30	5.39
1.15	1.08	1.19	1.29	1.28	1.15	.99	.89	.96
3.0	2.5	2.1	2.0	2.1	2.2	2.2	2.1	2.1
1,013	1,031	995	911	833	756	711	685	643

Beneficial Corporation and Subsidiaries
Data by Calendar Quarter

Supplemental Information			1980
(in millions, except per share figures)	First Quarter	Second Quarter	Third Quarter
Revenue			
Finance Division	$ 327.2	$ 334.3	$ 324.4
Savings and Loan Division	39.0	41.0	41.0
Merchandising Division			
Spiegel, Inc.	89.3	79.7	96.1
Western Auto (excluding intradivision revenue)	164.1	167.4	174.2
Revenue from Merchandising Division	253.4	247.1	270.3
Total	$ 619.6	$ 622.4	$ 635.7
Operating Income (Loss)			
Finance Division	$ 39.1	$ 42.5	$ 43.7
Savings and Loan Division	2.7	(2.6)	(2.2)
Merchandising Division			
Spiegel, Inc.	(3.4)	(5.8)	1.7
Western Auto	(1.0)	1.8	4.8
Operating Income (Loss) from Merchandising Division	(4.4)	(4.0)	6.5
Total	$ 37.4	$ 35.9	$ 48.0
Net Income (Loss)			
Finance Division	$ 21.6	$ 29.7	$ 26.6
Equity in Net Income of Savings and Loan Division plus Purchase Accounting Adjustments	3.0	(.9)	(.6)
Merchandising Division			
Spiegel, Inc.	(1.7)	(2.9)	.9
Western Auto	(.5)	1.1	2.1
Income (Loss) from Merchandising Division	(2.2)	(1.8)	3.0
Interest Expense, After Income Taxes, Related to Investment in Non-consolidated Subsidiaries	(3.6)	(3.9)	(3.9)
Total	$ 18.8	$ 23.1	$ 25.1
Earnings Per Common Share	$ .65	$ .85	$ .93
Common Stock			
High Sales Price	$ 27.00	$23.875	$24.625
Low Sales Price	17.625	17.75	20.00
Dividends Paid Per Share	.50	.50	.50

		1979				
Fourth Quarter	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
$ 337.3	$1,323.2	$ 226.4	$ 239.2	$ 246.2	$ 271.1	$ 982.9
43.5	164.5	38.1	36.8	38.4	41.1	154.4
146.9	412.0	91.3	85.1	96.8	153.6	426.8
163.5	669.2	175.8	210.5	182.3	181.5	750.1
310.4	1,081.2	267.1	295.6	279.1	335.1	1,176.9
$ 691.2	$2,568.9	$ 531.6	$ 571.6	$ 563.7	$ 647.3	$2,314.2
$ 31.5	$ 156.8	$ 52.3	$ 43.7	$ 40.9	$ 19.4	$ 156.3
—	(2.1)	6.2	3.0	4.1	4.5	17.8
8.7	1.2	.5	2.6	2.7	8.4	14.2
4.0	9.6	1.6	3.7	(8.1)	(7.0)	(9.8)
12.7	10.8	2.1	6.3	(5.4)	1.4	4.4
$ 44.2	$ 165.5	$ 60.6	$ 53.0	$ 39.6	$ 25.3	$ 178.5
$ 22.9	$ 100.8	$ 31.6	$ 29.1	$ 27.0	$ 11.9	$ 99.6
1.6	3.1	1.5	2.9	3.9	4.3	12.6
4.5	.8	.3	1.4	1.6	4.8	8.1
2.1	4.8	.7	2.1	(4.0)	(3.4)	(4.6)
6.6	5.6	1.0	3.5	(2.4)	1.4	3.5
(4.1)	(15.5)	(3.0)	(3.8)	(3.9)	(3.9)	(14.6)
$ 27.0	$ 94.0	$ 31.1	$ 31.7	$ 24.6	$ 13.7	$ 101.1
$ 1.02	$ 3.45	$ 1.34	$ 1.36	$ 1.05	$ .49	$ 4.24
$ 23.75		$ 24.25	$ 28.50	$ 32.50	$31.125	
18.125		22.125	22.625	26.375	24.50	
.50	$ 2.00	.45	.50	.50	.50	$ 1.95

Management

Beneficial Corporation

Officers

Finn M. W. Caspersen	Chairman of the Board and Chief Executive Officer
George R. Evans	Member of the Office of the President and Vice Chairman of the Board of Directors
Robert A. Tucker	Member of the Office of the President, First Vice President and Chief Financial Officer
Charles W. Bower	Senior Vice President and Treasurer
William A. Gross	Senior Vice President
Kostas Gussis	Senior Vice President
Edgar D. Baumgartner	Vice President and Tax Counsel
Kenneth J. Kircher	Vice President and Secretary
Russell W. Willey	Vice President and Controller
Glenn E. Paton	Vice President and Assistant Secretary
John R. Doran	Vice President and Assistant Treasurer
James H. Gilliam, Jr.	Vice President
Andrew C. Halvorsen	Assistant to the Chairman

Beneficial Management Corporation

Executive Committee

Richard A. Wagner	President and Chief Executive Officer, Chairman of the Executive Committee
Finn M. W. Caspersen	
George R. Evans	
David J. Farris	Executive Vice President
Gerald L. Holm	Executive Vice President
R. Donald Quackenbush	Executive Vice President
Robert A. Tucker	
Gordon L. Wadmond	Executive Vice President

Senior Vice Presidents

Richard H. Bate	Counsel
Robert P. Freeman	Personnel
Robert E. Gaegler	Insurance
Robert M. Grohol	Operating
Charles E. Hance	Litigation Counsel
J. Edward Kerwan	Data Processing
Robert Mallock	Industry Relations
Clifford W. Snyder	Advertising & Press Relations
Joseph A. Stubits	Operating
Robert E. Styles	Operating
David B. Ward	Government Relations
William G. Weiss	Operating

BENICO Insurance Group

R. Donald Quackenbush	Chairman of the Board and Chief Executive Officer
Robert E. Gaegler	President
Ronald C. Ade	Executive Vice President
Edward A. Dunbar	Executive Vice President
James T. Kearns	Executive Vice President
Andrew C. Halvorsen	Vice President
Anthony F. Mita	Vice President
Albert G. Morhart, Jr.	Vice President
E. Jay O'Keefe	Vice President
William J. Pegel	Vice President
John H. Suminski	Vice President
Thomas G. Vannoy	Vice President

First Texas Financial Corporation

Roger J. Keane	Chairman and Chief Executive Officer
J. Michael Cornwall	President and Chief Operating Officer

Merchandising Division

Western Auto Supply Company

John T. Lundegard	Chairman of the Board and Chief Executive Officer
Robert W. McFadden	Executive Vice President and Chief Operating Officer

Spiegel, Inc.

Henry A. Johnson	Chairman of the Board and Chief Executive Officer

Classes of Stock	Transfer Agents	Registrars
Common	Irving Trust Company, N.Y. Wilmington Trust Company Wilmington, Del. The First National Bank of Chicago	Chemical Bank, N.Y. Farmers Bank of the State of Delaware Wilmington, Del. Continental Illinois National Bank and Trust Company of Chicago
5% Cumulative Preferred	Irving Trust Company, N.Y. Wilmington Trust Company Wilmington, Del.	Manufacturers Hanover Trust Company, N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$5.50 Dividend Cumulative Convertible Preferred	Morgan Guaranty Trust Company of New York Wilmington Trust Company Wilmington, Del.	Citibank, N.A., N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$4.50 Dividend Cumulative Preferred	Bradford Trust Company, N.Y. Wilmington Trust Company Wilmington, Del.	The Chase Manhattan Bank, N.A., N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$4.30 Dividend Cumulative Preferred	Manufacturers Hanover Trust Company, N.Y. The First National Bank of Chicago	The Chase Manhattan Bank, N.A., N.Y. Continental Illinois National Bank and Trust Company of Chicago
9.25% Redeemable Preferred	Wilmington Trust Company Wilmington, Del.	Wilmington Trust Company Wilmington, Del.

Media representatives and others seeking general information about the Company should contact Mr. Clifford W. Snyder at (201) 455-7116.

Security analysts, portfolio managers, and other investors seeking financial information about the Company should contact Mr. Andrew C. Halvorsen at (201) 267-5500.

Copies of the Company's 10-K report to the SEC and the separate annual report of the BENICO Insurance Group are available upon request from Mr. Kenneth J. Kircher, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

Beneficial Corporation common stock trades on the New York Stock Exchange under the ticker symbol "BNL."

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Thursday, April 30, 1981, at 11 a.m., in the Company's headquarters, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

Produced and designed by Shareholder Reports, Inc.

Beneficial Corporation
Wilmington, Delaware 19899

AR31

BENEFICIAL CORPORATION

Beneficial Building, Wilmington, Delaware 19899

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 30, 1980

The annual meeting of the stockholders of Beneficial Corporation, a Delaware corporation, will be held on Wednesday, April 30, 1980, at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware, at 11 A.M. Wilmington time, for the following purposes: (1) electing directors of the Company, (2) considering and voting upon the proposal to amend the Company's Restated Certificate of Incorporation to authorize a new class of stock consisting of 2,500,000 shares of Preferred Stock with par value and to make various other changes in the Certificate, all as summarized in the accompanying Proxy Statement and set forth in Exhibit A thereto, and to restate the Certificate, as so amended, (3) ratifying the action of the Board of Directors in selecting the firm of Deloitte Haskins & Sells, Certified Public Accountants, as the independent auditors of the Company for 1980, and (4) transacting such other business as may properly be brought before the meeting.

Only shares of Common Stock, $4.30 Dividend Cumulative Preferred Stock and $5.50 Dividend Cumulative Convertible Preferred Stock may be voted at the meeting. The close of business on March 3, 1980 has been set as the record date for the purpose of determining stockholders entitled to notice of and to vote at the meeting. Stockholders who cannot personally attend the meeting and who wish to have their stock voted are requested to complete and sign the accompanying proxy (proxies) and return it (them) as soon as possible. No postage is required if mailed in the United States, its territories and possessions, in the enclosed envelope.

A summary post-meeting report will be mailed to all stockholders.

KENNETH J. KIRCHER
Vice-President and Secretary

Dated: March 18, 1980

March 18, 1980

BENEFICIAL CORPORATION

Beneficial Building, Wilmington, Delaware 19899

ANNUAL MEETING OF STOCKHOLDERS

April 30, 1980

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors for use at the annual meeting of stockholders of the Company to be held on April 30, 1980. The shares represented by each such proxy will be voted at the meeting in accordance with the specifications made thereon by the stockholder. The person giving a proxy has the power to revoke it any time before it has been voted.

VOTING SECURITIES

The close of business on March 3, 1980 has been set as the record date for the purpose of determining stockholders entitled to vote at the meeting. Each share of Common Stock and $4.30 Dividend Cumulative Preferred Stock is entitled to one vote, and each share of $5.50 Dividend Cumulative Convertible Preferred Stock is entitled to four and one-half votes. All of such classes will vote as a single class.

On February 29, 1980 the number of securities outstanding and entitled to vote was 21,856,725, shares of Common Stock, 836,585 shares of $4.30 Dividend Cumulative Preferred Stock and 104,836 shares of $5.50 Dividend Cumulative Convertible Preferred Stock. The aggregate number of votes entitled to be cast at the meeting as of February 29, 1980, with all of such classes voting as a single class, is 23,165,072.

ELECTION OF DIRECTORS

It is intended that, unless authority is withheld, votes will be cast pursuant to the accompanying proxy for the election of a Board of Directors of sixteen consisting of the persons named below, all of whom are presently directors, for terms of one year and until their successors are elected. Each nominee was elected a director at the Company's 1979 Annual Meeting of Stockholders, except Mr. Holm and Miss Ross, who were elected by the Board on August 17, 1979, and each has expressed willingness to serve as a director during the coming year. The proxy may be voted for the election of other persons as directors in case any of those named below are unable to serve for any reason.

The names of the nominees for director, together with certain information regarding them, are as follows:

Name of Director, Age, Principal Occupation and Other Affiliations	Year First Elected a Director
Cecil M. Benadom, 70 Retired; Member of Executive and Audit Committees and former President of the Company	1965
Charles W. Bower, 58 Senior Vice President and Treasurer and Member of Executive and Finance Committees of the Company	1969
Robert C. Cannada, 59 Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi; Member of Compensation and Audit Committees of the Company	1975
Elbert N. Carvel, 69 Vice Chairman of the Board of Trustees of University of Delaware; Chairman of Board of Directors of Peoples Bank and Trust Company, a subsidiary of the Company	1975
Finn M. W. Caspersen, 38 Chairman of Board of Directors and Chief Executive Officer, Chairman of Executive Committee and Member of Finance Committee of the Company	1975
Freda R. Caspersen, 71 Chairman of Board of Directors of Westby Corporation, real estate investments, Wilmington, Delaware	1972
George R. Evans, 69 Vice Chairman of Board of Directors, Member of Office of the President and Member of Executive and Finance Committees of the Company; Chairman of Board of Directors of Beneficial Management Corporation, a subsidiary of the Company	1973
Gerald L. Holm, 41 Executive Vice President of Beneficial Management Corporation, a subsidiary of the Company	1979
R. Donald Quackenbush, 58 Chairman of Board of Directors of the Company's Insurance subsidiaries; Executive Vice President—Insurance of Beneficial Management Corporation, a subsidiary of the Company	1979
Susan Julia Ross, 36 Attorney at Law, Natelson and Ross, Taos, New Mexico; Member of Audit Committee of the Company	1979
Robert A. Tucker, 53 Member of Office of the President, First Vice President and Chief Financial Officer, Member of Executive Committee and Chairman of Finance Committee of the Company	1959
E. Norman Veasey, 47 Attorney at Law, Richards, Layton & Finger, P.A., Wilmington, Delaware; Member of Compensation Committee of the Company	1979
Richard A. Wagner, 53 President and Chief Executive Officer of Beneficial Management Corporation, a subsidiary of the Company	1977
Arthur T. Ward, Jr., 68 Medical doctor and businessman, Baltimore, Maryland; Member of Compensation Committee of the Company	1975
Charles H. Watts, II, 53 Director, Campaign for Brown University, Providence, Rhode Island; Member of Executive Committee and Chairman of Audit Committee of the Company	1959
K. Martin Worthy, 59 Attorney at Law, Hamel, Park, McCabe & Saunders, Washington, D.C.; Chairman of Compensation Committee of the Company	1977

During the last five years the principal occupation and employment of each director has been as listed in the table above, except that the Audit Committee was established in 1977, and except that:

Mr. Benadom was President of the Company and a member of the Finance Committee until December, 1976.

Mr. Carvel was Vice President of Laurel Grain Company, a grain marketing company, Laurel, Delaware until August, 1975.

Mr. Caspersen became a member of the Executive Committee in 1975 and Chairman of such Committee in 1976; previously he was Vice Chairman of the Board of Directors (1975 to 1976) and Vice President (1975) of the Company. From 1972 to 1976 he also was Associate Counsel of Beneficial Management Corporation, a subsidiary of the Company, and General Counsel of the Company's Insurance subsidiaries.

Mr. Evans was President (1974 to 1978) and Chief Executive Officer (1978 to 1979) of Beneficial Management Corporation. From December 11, 1979 to February 5, 1980, Mr. Evans was

Chairman of the Board of Directors and Chief Executive Officer of Western Auto Supply Company, a subsidiary of the Company.

Mr. Holm was a Vice President (1973 to 1979) of Beneficial Management Corporation and President (1974 to 1979) of Beneficial Data Processing Corporation, a subsidiary of the Company.

Mr. Quackenbush was President of the Company's Insurance Subsidiaries (1970 to 1977), and a member of the Executive Committee (1978 to present), Senior Vice President-Insurance (1977 to 1978) and Vice President-Insurance (1975 to 1977) of Beneficial Management Corporation.

Miss Ross was an attorney (1971 to 1976) with the law firm of Dewey, Ballantine, Bushby, Palmer & Wood.

Mr. Wagner has been a member of the Executive Committee (1977 to present), Chief Operating Officer (1978 to 1979) and Executive Vice President-Operating (1974 to 1978) of Beneficial Management Corporation.

Mr. Watts has been an educational and business consultant (1977 to 1978), President of the Wolf Trap Foundation for the Performing Arts, Vienna, Virginia (1976 to 1977) and President of Bucknell University, Lewisburg, Pennsylvania (prior to 1977).

Messrs. Evans, Caspersen, Holm, Tucker and Watts are members of the Board of Directors of Midland International Corporation, Spiegel, Inc. and Western Auto Supply Company, subsidiaries of the Company.

The firm of Richards, Layton & Finger, P.A., of which Mr. Veasey is a member, performed legal services in 1978 and 1979 for the Company, and is currently performing such services.

There are no family relationships between any nominees, except that Mr. Finn M. W. Caspersen is the son of Mrs. Freda R. Caspersen.

As of February 1, 1980, the Company's directors and nominees for directors, and its directors and officers as a group, beneficially owned the amounts of equity securities of the Company shown in the following table:

	Equity Securities of the Company Beneficially Owned(1)			
Name of Person or Group	**Common Stock**	**% of Class**	**5% Pfd. Stock**	**% of Class**
Cecil M. Benadom (2) (3) (4) (5)	107,276	*	29	*
Charles W. Bower (4) (5) (6)	383,418	1.7	21,879	5.4
Robert C. Cannada (2)	2,951	*	—	—
Elbert N. Carvel (2)	10,118	*	—	—
Finn M. W. Caspersen (2) (4) (5) (7) (8)	756,424	3.4	2,084	0.5
Freda R. Caspersen (7) (9)	401,226	1.8	1,963	*
Thomas W. Cullen (2) (5)**	9,398	*	—	—
George R. Evans (5)	8,296	*	18	*
J. Thomas Gurney***	400	*	—	—
Gerald L. Holm	1,874	*	—	—
DeWitt J. Paul (2) (5)**	6,795	*	74	*
R. Donald Quackenbush (2)	4,631	*	—	—
Susan Julia Ross	108	*	—	—
Robert A. Tucker (2) (4) (5) (6) (9) (10)	712,150	3.3	23,207	5.7
E. Norman Veasey	100	*	—	—
Richard A. Wagner (2)	3,890	*	—	—
Arthur T. Ward, Jr. (2) (11)	15,807	*	420	*
Charles H. Watts, II (2) (4)	231,537	1.1	1,333	*
K. Martin Worthy	602	*	—	—
All directors and officers as a group (38 persons) (2) (3) (4) (5) (6) (7) (8) (9) (10) (11)	1,483,709	6.8	27,270	6.7

In addition, as of such date Mr. Gurney beneficially owned 28* shares of the Company's $5.50 Dividend Cumulative Convertible Preferred Stock, and Mr. Tucker owned 67* shares of its $4.50 Dividend Cumulative Preferred Stock as to 40 shares of which he shares voting and investment power with others.

*Less than 0.5% of class.

**Retiring from the Company's Board of Directors as of the date of the Annual Meeting, April 30, 1980.

***Resigned from the Company's Board of Directors effective February 8, 1980.

(1) Unless otherwise indicated below, each director possesses sole voting and investment power with respect to the shares shown opposite his or her name in the tables.

(2) Includes shares of Common Stock owned by wives or certain members of the families of nominees, as to which such nominees disclaim beneficial ownership, as follows: Mr. Benadom—378 shares; Mr. Cannada—316 shares; Mr. Carvel—2,500 shares; Mr. Caspersen—4,500 shares; Mr. Cullen—4,795 shares; Mr. Paul—130 shares; Mr. Quackenbush—50 shares; Mr. Tucker—1,202 shares; Mr. Wagner—467 shares; Mr. Ward—9,418 shares; and Mr. Watts—2,701 shares.

(3) Includes 422 shares of Common Stock which Mr. Benadom has the right to receive in March, 1980 under the Company's Incentive Compensation Plan.

(4) Includes 205,039 shares of Common Stock held by three trusts as to which Messrs. Caspersen and Watts and others serve as trustees (sharing voting and investment power), shown as beneficially owned by both of them. As to Messrs. Benadom, Bower, and Tucker, includes 99,397, 99,397 and 155,340 shares of Common Stock, respectively, held by two such trusts with respect to which they act as trustees (sharing voting and investment power), shown as beneficially owned by each of them. Also includes 596 shares of 5% Cumulative Preferred Stock ("5% Stock") owned by one such trust, shown as beneficially owned by Messrs. Caspersen, Tucker and Watts.

(5) Excludes shares owned by the Hodson Trust. For information concerning shares held by this trust see *Principal Shareholders.*

(6) Includes 279,031 shares of Common Stock and 21,879 shares of 5% Stock owned by the Beneficial Corporation and Subsidiaries Employees' Retirement Plan, as to which Messrs. Bower, Tucker and four other persons serve as trustees (sharing voting and investment power), shown as beneficially owned by each of them.

(7) Includes 290,040 shares of Common Stock as to which Finn M. W. Caspersen and Freda R. Caspersen share voting and investment power, shown as beneficially owned by both of them. As to 5,224 of such shares, such voting and investment power is shared with others.

(8) Includes 148,084 shares of Common Stock and 1,170 shares of 5% Stock (other than shares referred to in notes 2, 4 and 7 above) as to which Mr. Caspersen shares voting and investment power with others.

(9) Includes 59,611 shares of Common Stock and 679 shares of 5% Stock owned by Beneficial Foundation, Inc. as to which Mrs. Caspersen, Mr. Tucker and others share voting and investment power, shown as beneficially owned by both of them.

(10) Includes 131,535 shares of Common Stock (other than those referred to in notes 2, 4, 5 and 8 above) and 40 shares of $4.50 Dividend Cumulative Preferred Stock as to which Mr. Tucker shares voting and investment power with others.

(11) Includes 4,161 shares of Common Stock and 420 shares of 5% Stock as to which Mr. Ward shares voting and investment power with others.

The Board's Audit Committee, the composition of which is noted in the above table of nominees for directors, met four times in 1979. Its duties are (a) to recommend to the Board a firm of independent public accountants to be nominated for election by the stockholders to act as the Company's independent auditors, (b) to confer with the Company's independent auditors as to the scope of their proposed audit, (c) to review the finding and recommendations of the independent auditors on completion of the audit and to consider any problems encountered by them in conducting the audit, and (d) to review the Company's internal audit controls and to provide a liaison with the Company's internal auditors. However, the Committee's duties do not include accounting and auditing management functions assigned to the Company's officers and other executives. The Board's Compensation Committee, the composition of which is noted on Page 2 in the table for nominees for directors, met two times in 1979. Its function is to fix the compensation of officers and key employees of the Company and certain

subsidiaries, and to administer the Company's Incentive Compensation Plan. The Board's Finance Committee, the composition of which is noted on Page 2 in the table of nominees for directors, met 36 times in 1979. The Finance Committee, between meetings of the Board, may exercise all powers of the Board with respect to financing the operations of the Company. The Board's Executive Committee, the composition of which is noted on Page 2 in the table of nominees for directors, may exercise substantially all the authority of the Board (other than powers which the Board has specifically delegated to other committees) during the intervals between the meetings of the Board. The Board does not have a Nominating Committee. In 1979 the Board held four meetings and the Executive Committee of the Board held fifteen meetings. In addition the Board on one occasion and the Executive Committee on five occasions took action during 1979 without a meeting pursuant to a written consent signed by all of its members.

DESCRIPTION OF AMENDMENTS TO RESTATED CERTIFICATE OF INCORPORATION

The Board of Directors of the Company has unanimously adopted a resolution declaring it advisable to amend the Company's Restated Certificate of Incorporation (the "Certificate") and to restate the Certificate to reflect such amendments. In summary, the proposed amendments effect the following changes: (1) authorize 2,500,000 shares of a new class of stock, the Preferred Stock with par value; (2) delete outdated provisions relating to the convertibility of the $4.30 Dividend Cumulative Preferred Stock (Convertible Prior to November 1, 1977) and the computation of the price for shares of such stock redeemed prior to November 1, 1975; and (3) make minor language changes which will update the Certificate without effecting substantive changes.

The Board of Directors has directed that the proposal to amend the Certificate and to restate the Certificate to reflect such amendments be submitted to a vote of the stockholders at the annual meeting. The affirmative vote of the holders of outstanding shares of the Common Stock, the $4.30 Dividend Cumulative Preferred Stock and the $5.50 Dividend Cumulative Convertible Preferred Stock having a majority of the voting power, voting together as a single class, is required for the approval of the proposed amendments and the restatement of the Certificate.

The substance and effect of the amendments are described below, and, assuming the approval of the amendments, the restated Certificate will be substantially in the form attached hereto as Exhibit A.

(1) *Authorization of Preferred Stock with Par Value.* The amendment authorizes 2,500,000 shares of a new class of stock, Preferred Stock with par value (the "New Preferred"). The New Preferred would be issuable in series and have a par value of $1 per share. As to each series, the Board of Directors would have the power to fix the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price and any other powers, preferences and relative, participating, optional or other special rights of the series, and any qualifications, limitations or restrictions on any of the rights of the series, and the number of shares constituting the series, all without further approval of the shareholders, except as may be required by law or stock exchange rules. The rights of the Company's Common Stock would be subject to dividend and liquidation preferences and other rights of the New Preferred as fixed by the Board. All shares of New Preferred would rank equal with shares of the Company's presently authorized preferred stock in respect of preference as to dividends and to payments upon the liquidation, distribution or sale of assets, dissolution or winding up of the Company. The provisions relating to the Company's other classes of preferred stock would be amended to reflect this equal ranking of the New Preferred.

The Board of Directors considers the increasing complexity of modern business finance as requiring greater flexibility in the Company's capital structure than now exists. In the Board's view, the authorization of the New Preferred will assist the Company in meeting this requirement. Authorization of the New Preferred would allow the issuance, at various times, of shares specifically adapted to a wide variety of situations, thus enabling the Company to operate more effectively in negotiating acquisitions or financings, and enhancing the Company's ability to effectuate other corporate programs.

There are no present negotiations, agreements, understandings or intentions relating to the future issuance of any shares of New Preferred. No stockholders of the Company would have any preemptive rights to acquire shares of the New Preferred.

Shares of New Preferred would be issued only if the Board of Directors believed the issuance to be in the Company's interest and that of its stockholders. It is possible, however, that the issuance of shares of New Preferred with dividend and liquidation preferences could diminish the amounts which would otherwise be available for these purposes to the holders of other classes of preferred stock and Common Stock. To the extent that shares of New Preferred are made convertible into shares of Common Stock, a dilution of the equity of the outstanding shares of Common Stock could result. The granting of voting rights to the holders of shares of New Preferred would also result in a dilution of the present voting power of the holders of existing classes of stock.

(2) *Elimination of Provisions Relating to Conversion and Certain Provisions Relating to Computation of Redemption Price of the $4.30 Dividend Cumulative Preferred Stock (Convertible Prior to November 1, 1977).* On November 1, 1977, the conversion feature of shares of $4.30 Dividend Cumulative Preferred Stock (Convertible Prior to November 1, 1977) expired. Certain provisions of the Certificate by which the redemption price of such stock was computed apply only to redemptions before November 1, 1975. The amendments delete the conversion provisions and such redemption price provisions, and delete the words "(Convertible Prior to November 1, 1977)" from the title of the class of stock.

The consolidated financial statements of the Company and its subsidiaries, the notes thereto, and the related reports of Deloitte Haskins & Sells and Peat, Marwick, Mitchell & Co., independent public accountants, appearing on pages 34 to 66 of the Company's Annual Report to Stockholders for 1979, a copy of which accompanies this Proxy Statement, and the Management's Discussion and Analysis of the Statement of Income appearing on page 36 of such Annual Report, are incorporated herein by reference.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding each person who, to the Company's knowledge, owned on the date indicated more than 5% of any class of the Company's outstanding voting securities:

Name and Address of Shareholder	Common Stock	$4.30 Dividend Cumulative Preferred Stock	% of Class Owned
Hodson Trust 200 South Street Morristown, New Jersey 07960	1,487,261(1)	—	6.7
Safeco Corporation, Safeco Insurance Company of America, General Insurance Company of America and Safeco Life Insurance Company Safeco Plaza Seattle, Washington 98185	—	63,600(2)	7.6

(1) As of February 1, 1980, the Hodson Trust held of record the shares indicated in the table and 9,038 shares of 5% Cumulative Preferred Stock (approximately 2.2% of such class). Messrs. Benadom, Bower, Caspersen, Cullen, Evans, Paul and Tucker serve as trustees of such trust and share voting and investment power, but have no interest in the principal or income of such trust. Such shares would be regarded as beneficially owned by each such person under the terms of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(2) Based on information furnished to the Company by the named companies, they beneficially owned the indicated shares as of February 1, 1980.

REMUNERATION

The following tabulation sets forth the aggregate remuneration paid by the Company and its subsidiaries during 1979 to (a) each of the five most highly compensated directors or officers of the Company whose total cash and cash-equivalent remuneration exceeded $50,000, for services in the capacities indicated, and (b) all directors and officers of the Company as a group.

Name of Individual or Number of Persons In Group	Capacities in Which Served	Cash and Cash-equivalent Forms of Remuneration(1): Salaries, Fees, Directors' Fees, Commissions, and Bonuses	Cash and Cash-equivalent Forms of Remuneration(1): Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits	Aggregate of Contingent Forms of Remuneration(1)
Finn M. W. Caspersen(2)	Chairman of Board of Directors and Chief Executive Officer, Director, Chairman of Executive Committee and Member of Finance Committee of the Company	$ 327,865	$ 2,040	$ 5,944
George R. Evans(2)	Vice Chairman of Board of Directors, Member of Office of the President, Director and Member of Executive and Finance Committees of the Company	305,750	2,085	6,178
R. Donald Quackenbush(2)	Chairman of Board of Directors of the Company's Insurance subsidiaries; Executive Vice President-Insurance of Beneficial Management Corporation, a subsidiary; Director of the Company	152,100	10,960	11,181
Robert A. Tucker(2)	Member of Office of the President, First Vice President and Chief Financial Officer, Director and Member of Executive Committee and Chairman of Finance Committee of the Company	292,100	900	—
Richard A. Wagner(2)	President and Chief Operating Officer of Beneficial Management Corporation, a subsidiary; Director of the Company	226,850	10,780	7,143
40 directors and officers as a group(2)		2,674,080	75,603	83,143

(1) The amounts of remuneration shown in this Proxy Statement have been determined in accordance with applicable regulations under the Securities Exchange Act of 1934, as amended. Such amounts do not include payments to or for the benefit of directors or officers for any part of 1979 during which they did not serve as such.

(2) The amount expensed for financial reporting purposes by the Company and its subsidiaries in 1979 representing the contribution or accrual for the account of the persons listed above and for the Company's directors and officers as a group for pension benefits under the Company's Employees' Retirement Plan is not and cannot readily be separated or individually calculated by the regular actuaries for the Plan. The aggregate Company contribution for 1979 to the Plan, which is a defined benefit plan, was 3.46% of the total remuneration of Plan participants covered thereby. The maximum annual retirement benefit under the Plan is the lesser of (a) 60% of an employee's average highest three-year earnings or (b) $80,475, subject to inflation-related adjustments (resulting in a current ceiling of $110,625). *See Compensation Plans and Arrangements—Employees' Retirement Plan.*

COMPENSATION PLANS AND ARRANGEMENTS

Incentive Compensation Plan. This Plan was terminated by the Board of Directors during 1978 except to the extent necessary to make distributions of awards granted under the Plan prior to that date. Under the Plan, in-service annual awards were granted to certain officers and key employees of the Company and its subsidiaries who were selected in certain years by the Compensation Committee of the Board of Directors. Awards are payable in equal quarter-annual installments over a ten-year period following termination of employment. During such period, interest is payable on cash balances and dividend equivalents are payable on shares not yet delivered.

Two types of awards, Plan A Units and Plan B Units, have been granted under the Plan. Plan A Units were awarded only in 1957. Each Plan A Unit entitles a participant to an amount in cash equal to the excess, if any, of the market value at the time of severance of employment of one share of the Company's Common Stock (including adjustments for stock dividends, etc.) over 95% of the fair market value of such share determined as of the date the Unit was awarded ($9.18 per share (adjusted) as of December 2, 1957). Plan B Units were awarded in 1957 and all subsequent years through 1970. No such awards were made thereafter. Each Plan B Unit entitles a participant at retirement to one share of the Company's Common Stock and a sum, payable in cash, equal to the amount of dividends paid per share on outstanding shares of Common Stock from the time of the award to termination of employment. The market value of a share of Common Stock at the time of realization (including adjustments for stock dividends, etc.) may be more or less than the market value at the time of the awards.

At December 31, 1979 the following awards under the Plan stood to the credit of directors and officers listed or included in the table on Page 7: Mr. Evans–1,659 Plan B Units; Mr. Tucker–321 Plan A Units and 8,398 Plan B Units; Mr. Wagner–441 Plan B Units; and 40 directors and officers as a group–1,025 Plan A Units and 13,067 Plan B Units. At such date a total of 3,671 Plan A Units and 30,361 Plan B Units were outstanding. In addition, at such date, Messrs. Paul and Benadom who had previously retired as officers were respectively entitled to receive $7,790 and $29,072 in cash attributable to Plan A Units, and 2,405 and 11,820 shares of Common Stock and $15,301 and $157,934 in cash attributable to Plan B Units, awarded under the Plan prior to retirement.

Employees' Retirement Plan. The table below illustrates the estimated annual benefits, as to base salary and years of service upon retirement, payable upon retirement under the Company's Employees' Retirement Plan to persons in the compensatory levels of officers and directors listed in the table on Page 7.

	Estimated Annual Retirement Benefit*		
Applicable Average Annual Base Salary	15 Years of Service	25 Years of Service	35 Years of Service
$150,000	$ 33,750	$ 56,250	$ 78,750
200,000	45,000	75,000	105,000
250,000	56,250	93,750	110,625
300,000	67,500	110,625	110,625

* The maximum annual retirement benefit under the Plan is the lesser of (a) 60% of an employee's average highest three-year earnings or (b) $80,475, subject to inflation-related adjustments (resulting in a current ceiling of $110,625). The computation of benefits assumes retirement at the end of the calendar year in which age 65 is attained. Benefits are to be reduced by one-half of annual social security benefits and certain other deductions. The actuarial value of the balance may be paid in a single payment upon retirement. At January 1, 1980, Mr. Evans was entitled to receive upon retirement (a) $779,658 (which includes interest at 6% from his normal retirement date), or (b) a deferred retirement allowance, payable monthly for life, of equivalent actuarial value.

Employees' Stock Purchase Plan. Under this Plan, directors and eligible employees of the Company and those of participating subsidiaries, including officers, may elect to contribute funds for the purchase of shares of the Company's Common Stock and will receive from the Company a contribution of additional shares, subject to certain vesting rights set forth in the Plan. The maximum amount which may be contributed by a participant in a calendar year may not exceed an amount equal to 20% of the participant's "Annual Compensation" (as defined in the Plan) for such year.

As shares of Common Stock purchased with participant's contributions are credited to a participant's account, a number of unvested "share units" are also credited to the participant's account as follows: (1) for the first $1,000 contributed under the Plan in each year, each participant is credited a number of share units equal to the full number of shares credited to such participant's account; and (2) for all amounts in excess of $1,000 contributed in each year, each participant is credited a number of share units equal to 50% of the number of shares purchased with such additional funds and credited to the participant's account.

Share units entitle a participant to receive on each dividend payment date for the Company's Common Stock a cash amount equal to the amount of the dividend that such participant would have received had he or she been, on the record date for payment of such dividend, the owner of a number of shares of such stock equal to the number of such credited share units.

Share units become fully vested in a participant only after the earlier of (a) the expiration of a period of three years following the date on which such share units were credited, or (b) the date on which a participant's employment or service as a director is terminated for any of the reasons set forth in the Plan.

At December 31, 1979, the following awards under the Plan stood to the credit of directors and officers listed or included in the table on Page 7: Mr. Caspersen — 1,140 share units; Mr. Evans — 1,185 share units; Mr. Quackenbush — 1,414 share units; Mr. Wagner — 1,070 share units; and 40 directors and officers as a group — 12,112 share units.

Other Compensation Plans and Arrangements. Directors of the Company, other than directors who are also employees, receive for their services $1,500 per quarter and $1,500 for each meeting attended. Directors who are also employees receive for their services as directors $200 for each meeting of the Board attended. Except for directors who are also employees, members of the Board's Executive and Audit Committees receive $1,000 and $750, respectively, for each meeting attended; members of other committees of the Board receive $500 for each meeting attended. Payment of such meeting and service fees may be deferred until a Director either reaches the age of 72 or terminates his or her relationship with the Company. Such deferred fees bear interest at the rate of 6% per annum.

The Company has an employment agreement with Mr. Evans which provides that he will (a) render without compensation advisory and consulting services to the Company for a period of three years following his retirement and (b) not engage in any enterprise in competition with the business of the Company or any of its subsidiaries for a period of three years following his retirement.

In order to allow the Company to avail itself of the experience of retired directors, it is the Company's policy to pay each director who, after November 26, 1979, (a) ceases to be a director after at least five years of service and after having attained the age of 70 years or (b) has served for ten years and either resigns voluntarily or decides not to stand for re-election, the sum of $3,000 per quarter if such retired director agrees to hold himself available to render advice to the Board, its Executive Committee or any of its members. Directors who retired prior to November 26, 1979 under the same conditions stated above receive $2,000 per quarter.

During 1979, three nominees, Messrs. Tucker, Wagner and Watts, had loans outstanding with Peoples Bank and Trust Company, a subsidiary of the Company. In addition, Mr. Holm had a loan outstanding with another subsidiary, Beneficial Management Corporation, the rate of interest on which was 13% per annum. The largest aggregate balances during 1979 were $145,000, $15,000, $98,078 and $92,000, respectively. Mr. Russell W. Willey, an officer of the Company, also had a loan during 1979, the largest balance of which was $15,000. Central Grain, Inc., Killen Grain Company and Valliant Fertilizer Company, associates of Mr. Carvel, and Clark Hill Sugary, Inc., an associate of

Mr. Caspersen, also had loans outstanding with Peoples Bank and Trust Company during 1979, the largest balances of which were $136,991, $148,800, $400,000 and $50,000, respectively. The Peoples Bank and Trust Company loans were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than normal risk of collectibility or present other unfavorable features. As of February 1, 1980, $35,000 of Mr. Tucker's loan, $9,000 of Mr. Wagner's loan, $97,106 of Mr. Watts' loan and $9,100 of Mr. Holm's loan remained outstanding. There was no amount outstanding with respect to the loan to Mr. Willey. On such date Central Grain, Inc., Killen Grain Company and Clark Hill Sugary, Inc. had outstanding loans of $120,983, $50,000 and $50,000, respectively. There was no amount outstanding with respect to the loan to Valliant Fertilizer Company.

The firm of Richards, Layton and Finger, P.A., of which Mr. Veasey is a member, received $69,677 for legal services performed for the Company during 1979.

This Proxy Statement includes a description of transactions between the Company and its subsidiaries and directors and officers of the Company only for periods during which they served as such.

SELECTION OF AUDITORS

The Board of Directors, upon recommendation of the Audit Committee, which is composed of four directors who are not now officers or otherwise employees of the Company, has selected, subject to stockholder approval, the firm of Deloitte Haskins & Sells, Certified Public Accountants, as the independent auditors of the Company for 1980 and it is intended that, unless otherwise specified on the accompanying proxy, votes will be cast pursuant to the proxy for the ratification of such action. As in prior years, a representative of Deloitte Haskins & Sells is expected to be present at the meeting and to be available to respond to appropriate questions. The representative also will have an opportunity to make a statement if he so desires.

Audit services rendered by Deloitte Haskins & Sells to the Company in 1979 included examination of the annual and semi-annual financial statements, review of unaudited quarterly financial information, assistance and consultation in connection with Securities and Exchange Commission reports and registration statements and consultation in connection with various accounting matters. Non-audit services rendered to the Company and its subsidiaries during 1979 by Deloitte Haskins & Sells (the fees for which amount to 16% of the fees paid for 1979 audit services) included consultation on domestic and international corporate tax matters, (7%); and examining financial statements and records of companies proposed for acquisition (8%). All services provided by Deloitte Haskins & Sells were approved by the Audit Committee of the Board, in some but not all cases before they were rendered. The Audit Committee determined that the non-audit services did not affect the independence of Deloitte Haskins & Sells in the performance of its audit services.

OTHER BUSINESS

The Board of Directors does not know of any matters to come before the meeting other than those referred to in the Notice of the meeting. If any other matters should come before the meeting, the accompanying proxy will be voted on such other matters in accordance with the judgment of the person or persons voting the proxy.

STOCKHOLDER PROPOSALS FOR 1981 ANNUAL MEETING

Stockholder proposals for the 1981 Annual Meeting must be received at the executive offices of the Company, 1300 Market Street, Wilmington, Delaware 19899, no later than December 18, 1980 for inclusion in the 1981 proxy statement and form of proxy.

FORM 10-K

The Company will furnish without charge to each stockholder, upon his written request, a copy of the Company's Annual Report on Form 10-K for the year 1979 which the Company is required to file with the Securities and Exchange Commission, including the financial statements and the schedules thereto.

Requests should be addressed to: Mr. Kenneth J. Kircher, Vice President and Secretary, Beneficial Corporation, P. O. Box 911, Wilmington, Delaware 19899.

COST OF SOLICITATION OF PROXIES

The cost of soliciting proxies will be borne by the Company. Solicitation of proxies from some stockholders of the Company may be made by personal interview, mail, telephone or telegram by the directors, officers and regular employees of the Company or subsidiaries. The Company also will request brokerage houses, custodians, nominees and fiduciaries to forward the proxy material and annual report of shareholders to the beneficial owners of the stock held of record by such persons and will reimburse them, upon request, for reasonable expenses incurred in connection therewith.

By order of the Board of Directors,

KENNETH J. KIRCHER
Vice President and Secretary

EXHIBIT A

RESTATED CERTIFICATE OF INCORPORATION
of
BENEFICIAL CORPORATION

ARTICLE I

The name of the Corporation is BENEFICIAL CORPORATION.

ARTICLE II

The registered office of the Corporation in the State of Delaware is located at 1300 Market Street in the City of Wilmington, County of New Castle. The name and address of the Corporation's registered agent is Southern Trust Company, 1300 Market Street, Wilmington, Delaware.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

The total number of shares of all classes of stock which the Corporation shall be authorized to issue is 65,922,987.

The Corporation shall have authority to issue seven classes of stock, in the total authorized amounts and with the par value per share and in the aggregate as set forth below.

Class of Stock	Total Number of Shares Authorized	Par Value Per Share	Aggregate Par Value
Preferred Stock without nominal or par value	500,000	None	None
Preferred Stock with par value	2,500,000	$ 1	$ 2,500,000
5% Cumulative Preferred Stock	585,730	$ 50	$29,286,500
$4.50 Dividend Cumulative Preferred Stock	103,976	$100	$10,397,600
$4.30 Dividend Cumulative Preferred Stock	1,069,204	None	None
$5.50 Dividend Cumulative Convertible Preferred Stock ..	1,164,077	None	None
Common Stock	60,000,000	$ 1	$60,000,000

A statement of the designations and the powers, preferences and rights of such classes of stock and the qualifications, limitations or restrictions thereof, the fixing of which by this Certificate of Incorporation is desired, and the authority of the Board of Directors to fix by resolution or resolutions the powers, preferences and rights of such classes of stock and the qualifications, limitations or restrictions thereof, which are not fixed hereby, are as follows:

PREFERRED STOCK WITHOUT NOMINAL OR PAR VALUE

1. (a) Shares of Preferred Stock without nominal or par value may be issued from time to time in one or more series. The preferences and relative, participating, optional and other special rights of each such series and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series already outstanding; and the Board of Directors of the Corporation is hereby expressly granted authority to fix, by resolution or resolutions adopted prior to the issuance of any shares of a particular series of Preferred Stock without nominal or par value, the designations, preferences and relative, participating, optional and other special rights, or the qualifications, limitations or restrictions thereof, of such series, including but without limiting the generality of the foregoing, the following:

(i) The rate and times at which, and the terms and conditions on which, dividends on the Preferred Stock without nominal or par value of such series shall be paid;

(ii) The right, if any, of holders of Preferred Stock without nominal or par value of such series to convert the same into, or exchange the same for, other classes of stock of the Corporation and the terms and conditions of such conversion or exchange;

(iii) The redemption price or prices and the time at which, and the terms and conditions on which, Preferred Stock without nominal or par value of such series may be redeemed;

(iv) The rights of the holders of Preferred Stock without nominal or par value of such series upon the voluntary or involuntary liquidation, distribution or sale of assets, dissolution or winding up of the Corporation (which in no event shall entitle any holder to receive an amount per share exceeding 105% of the consideration received for each share by the Corporation upon the original issuance thereof plus a sum equal to accrued and unpaid dividends thereon, whether or not earned or declared); and

(v) The terms of the sinking fund or redemption or purchase account, if any, to be provided for the Preferred Stock without nominal or par value of such series.

(b) All shares of each series shall be identical in all respects, and all shares of Preferred Stock without nominal or par value of all series shall be of equal rank in respect of the preference as to dividends and to payments upon the liquidation, distribution or sale of assets, dissolution and winding up of the Corporation. The rights of the Common Stock of the Corporation shall be subject to the preferences and relative, participating, optional and other special rights of the Preferred Stock without nominal or par value of each series as fixed from time to time by the Board of Directors as aforesaid.

(c) Except as otherwise provided herein and except as provided by statute, the Preferred Stock without nominal or par value shall have no voting rights. In case at any time three or more full semi-annual dividends (whether consecutive or not) on the Preferred Stock without nominal or par value shall be in arrears, then during the period (hereinafter in this subparagraph (c) called the Voting Period) commencing with such time and ending with the time when all arrears in dividends on the Preferred Stock without nominal or par value shall have been paid and the full dividend on the Preferred Stock without nominal or par value for the then current semi-annual dividend period shall have been declared and paid or set aside for payment, at any meeting of the stockholders of the Corporation held for the election of directors during the Voting Period, the holders of Preferred Stock without nominal or par value present in person or represented by proxy at said meeting, shall be entitled, as a class, to the exclusion of the holders of all other classes of stock of the Corporation, to elect two directors of the Corporation, each share of Preferred Stock without nominal or par value entitling the holder to one vote.

Any director who shall have been elected by holders of Preferred Stock without nominal or par value or by any director so elected as herein contemplated, may be removed at any time during a Voting Period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding shares of Preferred Stock without nominal or par value given at a special meeting of such stockholders called for the purpose, and any vacancy thereby created may be filled during such Voting Period by the holders of Preferred Stock without nominal or par value present in

person or represented by proxy at such meeting. Any director to be elected by the Board of Directors of the Corporation to replace a director elected by holders of Preferred Stock without nominal or par value or elected by a director as in this sentence provided shall be elected by the remaining director theretofore elected by the holders of Preferred Stock without nominal or par value. At the end of the Voting Period the holders of Preferred Stock without nominal or par value shall be automatically divested of all voting power vested in them under this subparagraph (c) but subject always to the subsequent vesting hereunder of voting power in the holders of Preferred Stock without nominal or par value in the event of any similar default or defaults thereafter.

(d) All shares of Preferred Stock without nominal or par value of all series shall be of equal rank in respect of the preference as to dividends and to payments upon the liquidation, distribution or sale of assets, dissolution or winding up of the Corporation with all shares of the Preferred Stock with par value, the 5% Cumulative Preferred Stock, the $4.50 Dividend Cumulative Preferred Stock, the $4.30 Dividend Cumulative Preferred Stock, and the $5.50 Dividend Cumulative Convertible Preferred Stock.

(e) While any Preferred Stock without nominal or par value is outstanding the Corporation shall not alter or change the preferences, special rights or powers of the Preferred Stock without nominal or par value so as to adversely affect the Preferred Stock without nominal or par value without the affirmative consent (given in writing or at a meeting duly called for that purpose) of the holders of at least two-thirds (⅔rds) of the aggregate number of shares of Preferred Stock without nominal or par value then outstanding.

PREFERRED STOCK WITH PAR VALUE

2. (a) Shares of Preferred Stock with par value may be issued from time to time in one or more series, as may be determined from time to time by the Board of Directors, each of said series to be distinctly designated. All shares of any one series of Preferred Stock with par value shall be alike in every particular, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative. The Board of Directors is hereby authorized to fix the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), and the redemption price or prices of any wholly unissued series of preferred shares, and any other powers, designations, preferences and relative, participating, optional or other special rights of such series, and any qualifications, limitations, or restrictions on any of the rights of such series, and the number of shares constituting any such series and the designation thereof, or any of them, and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

(b) All shares of Preferred Stock with par value of all series shall be of equal rank in respect of the preference as to dividends and to payments upon the liquidation, distribution or sale of assets, dissolution or winding up of the Corporation with all shares of Preferred Stock without nominal or par value, the 5% Cumulative Preferred Stock, the $4.50 Dividend Cumulative Preferred Stock, the $4.30 Dividend Cumulative Preferred Stock and the $5.50 Dividend Cumulative Convertible Preferred Stock.

(c) The rights of the Common Stock of the Corporation shall be subject to the preferences and relative, participating, optional and other special rights of the Preferred Stock with par value of each series as fixed from time to time by the Board of Directors as aforesaid.

5% CUMULATIVE PREFERRED STOCK

3. (a) The holders of 5% Cumulative Preferred Stock, in preference to the holders of Common Stock of the Corporation, shall be entitled to receive, as and when declared by the Board of Directors, dividends at the rate of 5% per annum and no more, payable on the last day of December 1957, and

semi-annually thereafter on the last days of June and December in each year. Such preferential dividends shall accrue, with respect to shares of 5% Cumulative Preferred Stock issued prior to January 1, 1958, from May 1, 1957, and with respect to shares of such stock issued on or after January 1, 1958, from the first day of the semi-annual dividend period in which such shares shall be issued, and shall be cumulative so that if dividends in respect of any dividend period at the rate of 5% per annum shall not have been paid upon or declared and set apart for the 5% Cumulative Preferred Stock, the deficiency shall be fully paid or declared and set apart before any dividend shall be paid upon or declared or set apart for the Common Stock. Preferential dividends on the 5% Cumulative Preferred Stock shall be deemed to accrue from day to day. A dividend period shall begin on the day following each dividend payment date set forth above and end on the next succeeding dividend payment date.

(b) The 5% Cumulative Preferred Stock shall be preferred as to assets over the Common Stock, so that in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation the holders of 5% Cumulative Preferred Stock shall be entitled to have set apart for them, or to be paid, out of the assets of the Corporation before any distribution is made to or set apart for the holders of Common Stock an amount in cash equal to and in no event more than $50.00 per share plus a sum equal to accrued and unpaid dividends thereon, whether or not earned or declared.

(c) At the option of the Corporation, by vote of the Board of Directors, the 5% Cumulative Preferred Stock may be redeemed as a whole or in part at any time or from time to time at a redemption price equal to $50.00 per share, plus an amount equal to accrued and unpaid dividends thereon to the date fixed for redemption, whether or not earned or declared, and no more. If less than all of the outstanding shares of 5% Cumulative Preferred Stock are to be redeemed the shares to be redeemed shall be determined by lot in such usual manner and subject to such regulations as the Board of Directors in its sole discretion shall prescribe.

At least 30 days prior to the date fixed for the redemption of shares of the 5% Cumulative Preferred Stock a written notice shall be mailed to each holder of record of shares of 5% Cumulative Preferred Stock to be redeemed in a postage prepaid envelope addressed to such holder at his post office address as shown on the records of the Corporation, notifying such holder of the election of the Corporation to redeem such shares, stating the date fixed for redemption thereof (hereinafter referred to as the redemption date), and calling upon such holder to surrender to the Corporation on the redemption date at the place designated in such notice his certificate or certificates representing the number of shares specified in such notice of redemption.

On or after the redemption date each holder of shares of 5% Cumulative Preferred Stock to be redeemed shall present and surrender his certificate or certificates for such shares to the Corporation at the place designated in such notice and thereupon the redemption price of such shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled.

In case less than all the shares represented by any such certificate are redeemed a new certificate shall be issued representing the unredeemed shares.

From and after the redemption date (unless default shall be made by the Corporation in payment of the redemption price) all dividends on the shares of 5% Cumulative Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price thereof upon the surrender of certificates representing the same, shall cease and determine and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the books of the Corporation, and such shares shall not be deemed to be outstanding for any purpose whatsoever.

At its election the Corporation prior to the redemption date may deposit the redemption price of the shares of 5% Cumulative Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company (having a capital and surplus of not less than $1,000,000) in the City of

Wilmington, Delaware or in the Borough of Manhattan, City and State of New York or in any other city in which the Corporation at the time shall maintain a transfer agency with respect to such stock, in which case such redemption notice shall state the date of such deposit, shall specify the office of such bank or trust company as the place of payment of the redemption price, and shall call upon such holders to surrender the certificates representing such shares at such place on or after the date fixed in such redemption notice (which shall not be later than the redemption date) against payment of the redemption price. From and after the making of such deposit, the shares of 5% Cumulative Preferred Stock so designated for redemption shall not be deemed to be outstanding for any purpose whatsoever, and the rights of the holders of such shares shall be limited to the right to receive the redemption price of such shares, without interest, upon surrender of the certificates representing the same to the Corporation at said office of such bank or trust company.

Any moneys so deposited which shall remain unclaimed by the holders of such 5% Cumulative Preferred Stock at the end of six years after the redemption date shall be returned by such bank or trust company to the Corporation after which the holders of the 5% Cumulative Preferred Stock shall have no further interest in such moneys.

(d) Except as otherwise provided herein and except as provided by statute, the 5% Cumulative Preferred Stock shall have no voting rights. In case at any time three or more full semi-annual dividends (whether consecutive or not) on the 5% Cumulative Preferred Stock shall be in arrears, then during the period (hereinafter in this subparagraph (d) called the Voting Period) commencing with such time and ending with the time when all arrears in dividends on the 5% Cumulative Preferred Stock shall have been paid and the full dividend on the 5% Cumulative Preferred Stock for the then current semi-annual dividend period shall have been declared and paid or set aside for payment, at any meeting of the stockholders of the Corporation held for the election of directors during the Voting Period, the holders of 5% Cumulative Preferred Stock present in person or represented by proxy at said meeting shall be entitled, as a class, to the exclusion of the holders of all other classes of stock of the Corporation, to elect two directors of the Corporation, each share of 5% Cumulative Preferred Stock entitling the holder thereof to one vote.

Any director who shall have been elected by holders of 5% Cumulative Preferred Stock or by any director so elected as herein contemplated, may be removed at any time during a Voting Period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding shares of 5% Cumulative Preferred Stock given at a special meeting of such stockholders called for the purpose, and any vacancy thereby created may be filled during such Voting Period by the holders of 5% Cumulative Preferred Stock present in person or represented by proxy at such meeting. Any director to be elected by the Board of Directors of the Corporation to replace a director elected by holders of 5% Cumulative Preferred Stock or elected by a director as in this sentence provided shall be elected by the remaining director theretofore elected by the holders of 5% Cumulative Preferred Stock. At the end of the Voting Period the holders of 5% Cumulative Preferred Stock shall be automatically divested of all voting power vested in them under this subparagraph (d) but subject always to the subsequent vesting hereunder of voting power in the holders of 5% Cumulative Preferred Stock in the event of any similar default or defaults thereafter.

(e) All shares of 5% Cumulative Preferred Stock shall be of equal rank in respect of the preference as to dividends and to payments upon liquidation, distribution or sale of assets, dissolution or winding up of the Corporation with all shares of the Preferred Stock without nominal or par value, the Preferred Stock with par value, the $4.50 Dividend Cumulative Preferred Stock, the $4.30 Dividend Cumulative Preferred Stock, and the $5.50 Dividend Cumulative Convertible Preferred Stock.

(f) While any 5% Cumulative Preferred Stock is outstanding the Corporation shall not alter or change the preferences, special rights or powers of the 5% Cumulative Preferred Stock so as to adversely affect the 5% Cumulative Preferred Stock without the affirmative consent (given in writing or at a meeting duly called for that purpose) of the holders of at least two-thirds (⅔rds) of the aggregate number of shares of 5% Cumulative Preferred Stock then outstanding.

$4.50 DIVIDEND CUMULATIVE PREFERRED STOCK

4. (a) The holders of $4.50 Dividend Cumulative Preferred Stock in preference to the holders of Common Stock of the Corporation, shall be entitled to receive, as and when declared by the Board of Directors, dividends at the rate of $4.50 per share per annum and no more, payable semi-annually on the last days of June and December in each year, commencing December 31, 1961. Such preferential dividends shall accrue, with respect to shares of $4.50 Dividend Cumulative Preferred Stock issued prior to January 1, 1962, from October 27, 1961 and with respect to shares of such stock issued on or after January 1, 1962, from the first day of the semi-annual dividend period in which such shares shall be issued, and shall be cumulative so that if dividends in respect of any semi-annual dividend period at the rate of $4.50 per share per annum shall not have been paid upon or declared and set apart for the $4.50 Dividend Cumulative Preferred Stock, the deficiency shall be fully paid or declared and set apart before any dividend shall be paid upon or declared or set apart for the Common Stock. Preferential dividends on the $4.50 Dividend Cumulative Preferred Stock shall be deemed to accrue from day to day. A semi-annual dividend period shall begin on the day following each dividend payment date set forth above and end on the next succeeding dividend payment date.

(b) The $4.50 Dividend Cumulative Preferred Stock shall be preferred as to assets over the Common Stock, so that in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation the holders of $4.50 Dividend Cumulative Preferred Stock shall be entitled to have set apart for them, or to be paid, out of the assets of the Corporation before any distribution is made to or set apart for the holders of Common Stock an amount in cash equal to and in no event more than $100.00 per share plus a sum equal to accrued and unpaid dividends thereon, whether or not earned or declared.

(c) At the option of the Corporation, by vote of the Board of Directors, the $4.50 Dividend Cumulative Preferred Stock may be redeemed on or after November 1, 1966 as a whole, or in part at any time or from time to time, at a redemption price equal to $103.00 per share plus an amount equal to accrued and unpaid dividends thereon to the date fixed for redemption, whether or not earned or declared, and no more. If less than all of the outstanding shares of $4.50 Dividend Cumulative Preferred Stock are to be redeemed the shares to be redeemed shall be determined by lot in such usual manner and subject to such regulations as the Board of Directors in its sole discretion shall prescribe.

At least 30 days prior to the date fixed for the redemption of shares of the $4.50 Dividend Cumulative Preferred Stock a written notice shall be mailed to each holder of record of shares of $4.50 Dividend Cumulative Preferred Stock to be redeemed in a postage prepaid envelope addressed to such holder at his post office address as shown on the records of the Corporation, notifying such holder of the election of the Corporation to redeem such shares, stating the date fixed for redemption thereof (hereinafter referred to as the redemption date), and calling upon such holder to surrender to the Corporation on the redemption date at the place designated in such notice his certificate or certificates representing the number of shares specified in such notice of redemption.

On or after the redemption date each holder of shares of $4.50 Dividend Cumulative Preferred Stock to be redeemed shall present and surrender his certificate or certificates for such shares to the Corporation at the place designated in such notice and thereupon the redemption price of such shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled.

In case less than all the shares represented by any such certificate are redeemed a new certificate shall be issued representing the unredeemed shares.

From and after the redemption date (unless default shall be made by the Corporation in payment of the redemption price) all dividends on the shares of $4.50 Dividend Cumulative Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price thereof upon the

surrender of certificates representing the same, shall cease and determine and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the books of the Corporation, and such shares shall not be deemed to be outstanding for any purpose whatsoever.

At its election the Corporation prior to the redemption date may deposit the redemption price of the shares of $4.50 Dividend Cumulative Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company (having a capital and surplus of not less than $1,000,000) in the City of Wilmington, Delaware or in the Borough of Manhattan, City and State of New York or in any other city in which the Corporation at the time shall maintain a transfer agency with respect to such stock, in which case such redemption notice shall state the date of such deposit, shall specify the office of such bank or trust company as the place of payment of the redemption price, and shall call upon such holders to surrender the certificates representing such shares at such place on or after the date fixed in such redemption notice (which shall not be later than the redemption date) against payment of the redemption price. From and after the making of such deposit, the shares of $4.50 Dividend Cumulative Preferred Stock so designated for redemption shall not be deemed to be outstanding for any purpose whatsoever, and the rights of the holders of such shares shall be limited to the right to receive the redemption price of such shares, without interest, upon surrender of the certificates representing the same to the Corporation at said office of such bank or trust company.

Any moneys so deposited which shall remain unclaimed by the holders of such $4.50 Dividend Cumulative Preferred Stock at the end of six years after the redemption date, shall be returned by such bank or trust company to the Corporation after which the holders of the $4.50 Dividend Cumulative Preferred Stock shall have no further interest in such moneys.

(d) Except as otherwise provided herein and except as provided by statute, the $4.50 Dividend Cumulative Preferred Stock shall have no voting rights. In case at any time three or more full semi-annual dividends (whether consecutive or not) on the $4.50 Dividend Cumulative Preferred Stock shall be in arrears, then during the period (hereinafter in this subparagraph (d) called the Voting Period) commencing with such time and ending with the time when all arrears in dividends on the $4.50 Dividend Cumulative Preferred Stock shall have been paid and the full dividend on the $4.50 Dividend Cumulative Preferred Stock for the then current semi-annual dividend period shall have been declared and paid or set aside for payment, at any meeting of the stockholders of the Corporation held for the election of directors during the Voting Period, the holders of $4.50 Dividend Cumulative Preferred Stock represented in person or by proxy at said meeting shall be entitled, as a class, to the exclusion of the holders of all other classes of stock of the Corporation, to elect two directors of the Corporation, each share of $4.50 Dividend Cumulative Preferred Stock entitling the holder thereof to one vote.

Any director who shall have been elected by holders of $4.50 Dividend Cumulative Preferred Stock or by any director so elected as herein contemplated, may be removed at any time during a Voting Period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding shares of $4.50 Dividend Cumulative Preferred Stock given at a special meeting of such stockholders called for the purpose, and any vacancy thereby created may be filled during such Voting Period by the holders of $4.50 Dividend Cumulative Preferred Stock present in person or represented by proxy at such meeting. Any director to be elected by the Board of Directors of the Corporation to replace a director elected by holders of $4.50 Dividend Cumulative Preferred Stock or elected by a director as in this sentence provided shall be elected by the remaining director theretofore elected by the holders of $4.50 Dividend Cumulative Preferred Stock. At the end of the Voting Period the holders of $4.50 Dividend Cumulative Preferred Stock shall be automatically divested of all voting power vested in them under this subparagraph (d) but subject always to the subsequent vesting hereunder of voting power in the holders of $4.50 Dividend Cumulative Preferred Stock in the event of any similar default or defaults thereafter.

(e) All shares of $4.50 Dividend Cumulative Preferred Stock shall be of equal rank in respect of the preference as to dividends and to payments upon the liquidation, distribution or sale of assets, disso-

lution or winding up of the Corporation with all shares of Preferred Stock without nominal or par value, the Preferred Stock with par value, the 5% Cumulative Preferred Stock, the $4.30 Dividend Cumulative Preferred Stock, and the $5.50 Dividend Cumulative Convertible Preferred Stock.

(f) While any of the $4.50 Dividend Cumulative Preferred Stock is outstanding the Corporation shall not alter or change the preferences, special rights or powers of the $4.50 Dividend Cumulative Preferred Stock so as to adversely affect the $4.50 Dividend Cumulative Preferred Stock without the affirmative consent (given in writing or at a meeting duly called for that purpose) of the holders of at least two-thirds (⅔rds) of the aggregate number of shares of $4.50 Dividend Cumulative Preferred Stock then outstanding.

$4.30 DIVIDEND CUMULATIVE PREFERRED STOCK

5. (a) The holders of $4.30 Dividend Cumulative Preferred Stock in preference to the holders of Common Stock of the Corporation, shall be entitled to receive, as and when declared by the Board of Directors, dividends at the rate of $4.30 per share per annum and no more, payable semi-annually on the last days of March and September in each year, commencing on the last day of the semi-annual dividend period in which dividends on such shares commence to accrue. Such preferential dividends shall accrue, with respect to shares of $4.30 Dividend Cumulative Preferred Stock issued prior to April 1, 1966, from November 1, 1965 and with respect to shares of such stock issued on or after April 1, 1966, from the first day of the semi-annual dividend period in which such shares shall be issued, and shall be cumulative so that if dividends in respect of any semi-annual dividend period at the rate of $4.30 per share per annum shall not have been paid upon or declared and set apart for the $4.30 Dividend Cumulative Preferred Stock, the deficiency shall be fully paid or declared and set apart before any dividend shall be paid upon or declared or set apart for the Common Stock. Preferential dividends on the $4.30 Dividend Cumulative Preferred Stock shall be deemed to accrue from day to day. A semi-annual dividend period shall begin on the day following each dividend payment date set forth above and end on the next succeeding dividend payment date.

(b) The $4.30 Dividend Cumulative Preferred Stock shall be preferred as to assets over the Common Stock, so that in the event of the liquidation, dissolution or winding up of the Corporation the holders of $4.30 Dividend Cumulative Preferred Stock shall be entitled to have set apart for them, or to be paid, out of the assets of the Corporation before any distribution is made to or set apart for the holders of Common Stock an amount in cash equal to and in no event more than (i) $100.00 per share plus a sum equal to accrued and unpaid dividends thereon, whether or not earned or declared, in the event of an involuntary liquidation, dissolution or winding up, or (ii) the then applicable redemption price per share, in the event of a voluntary liquidation, dissolution or winding up.

(c) At the option of the Corporation, by vote of the Board of Directors, the $4.30 Dividend Cumulative Preferred Stock may be redeemed on or after November 1, 1970 as a whole, or in part at any time or from time to time, at a redemption price which shall be (i) the greater of (x) $105.00 per share minus the sum of fifty cents for each November 1 during the period after November 1, 1970 and up to and including the date fixed for redemption or (y) $100.00 per share, plus (ii) an amount equal to accrued and unpaid dividends thereon to the date fixed for redemption, whether or not earned or declared.

The term "Common Stock", as used in this subparagraph (c), shall mean Common Stock of the character authorized at the date of the initial issuance of the $4.30 Dividend Cumulative Preferred Stock, or, in case of a reclassification or exchange of such Common Stock, the stock into or for which such Common Stock shall be reclassified or exchanged.

If less than all of the outstanding shares of $4.30 Dividend Cumulative Preferred Stock are to be redeemed the shares to be redeemed shall be determined by lot in such usual manner and subject to such regulations as the Board of Directors in its sole discretion shall prescribe.

At least 30 days prior to the date fixed for the redemption of shares of the $4.30 Dividend Cumulative Preferred Stock a written notice shall be mailed to each holder of record of shares of $4.30 Dividend Cumulative Preferred Stock to be redeemed in a postage prepaid envelope addressed to such holder at his post office address as shown on the records of the Corporation, notifying such holder of the election of the Corporation to redeem such shares, stating the date fixed for redemption thereof (hereinafter referred to as the redemption date), and calling upon such holder to surrender to the Corporation on the redemption date at the place designated in such notice his certificate or certificates representing the number of shares specified in such notice of redemption.

On or after the redemption date each holder of shares of $4.30 Dividend Cumulative Preferred Stock to be redeemed shall present and surrender his certificate or certificates for such shares to the Corporation at the place designated in such notice and thereupon the redemption price of such shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be canceled.

In case less than all the shares represented by any such certificate are redeemed a new certificate shall be issued representing the unredeemed shares.

From and after the redemption date (unless default shall be made by the Corporation in payment of the redemption price) all dividends on the shares of $4.30 Dividend Cumulative Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price thereof upon the surrender of certificates representing the same, shall cease and determine and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the books of the Corporation, and such shares shall not be deemed to be outstanding for any purpose whatsoever.

At its election the Corporation prior to the redemption date may deposit the redemption price of the shares of $4.30 Dividend Cumulative Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company (having a capital and surplus of not less than $1,000,000) in the City of Wilmington, Delaware or in the Borough of Manhattan, City and State of New York or in any other city in which the Corporation at the time shall maintain a transfer agency with respect to such stock, in which case such redemption notice shall state the date of such deposit, shall specify the office of such bank or trust company as the place of payment of the redemption price, and shall call upon such holders to surrender the certificates representing such shares at such price on or after the date fixed in such redemption notice (which shall not be later than the redemption date) against payment of the redemption price. From and after the making of such deposit, the shares of $4.30 Dividend Cumulative Preferred Stock so designated for redemption shall not be deemed to be outstanding for any purpose whatsoever, and the rights of the holders of such shares shall be limited to the right to receive the redemption price of such shares, without interest, upon surrender of the certificates representing the same to the Corporation at said office of such bank or trust company. Any interest accrued on any funds so deposited shall be paid to the Corporation from time to time.

Any moneys so deposited which shall remain unclaimed by the holders of such $4.30 Dividend Cumulative Preferred Stock at the end of six years after the redemption date, shall be returned by such bank or trust company to the Corporation after which the holders of the $4.30 Dividend Cumulative Preferred Stock shall have no further interest in such moneys.

(d) Each holder of $4.30 Dividend Cumulative Preferred Stock shall be entitled to one vote for each share held on each matter submitted to a vote of stockholders of the Corporation and, except as otherwise herein or by law provided, the $4.30 Dividend Cumulative Preferred Stock, the Common Stock of the Corporation, and any other capital stock of the Corporation at the time entitled thereto, shall vote together as one class, except that while the holders of $4.30 Dividend Cumulative Preferred Stock, voting as a class, are entitled to elect two directors as hereinafter provided, they shall not be entitled to participate with the Common Stock (or any other capital stock as aforesaid) in the election of any other directors.

(e) In case at any time three or more full semi-annual dividends (whether consecutive or not) on the $4.30 Dividend Cumulative Preferred Stock shall be in arrears, then during the period (hereinafter in this subparagraph (e) called the Class Voting Period) commencing with such time and ending with the time when all arrears in dividends on the $4.30 Dividend Cumulative Preferred Stock shall have been paid and the full dividend on the $4.30 Dividend Cumulative Preferred Stock for the then current semi-annual dividend period shall have been declared and paid or set aside for payment, at any meeting of the stockholders of the Corporation held for the election of directors during the Class Voting Period, the holders of $4.30 Dividend Cumulative Preferred Stock represented in person or by proxy at said meeting shall be entitled, as a class, to the exclusion of the holders of all other classes of stock of the Corporation, to elect two directors of the Corporation, each share of $4.30 Dividend Cumulative Preferred Stock entitling the holder thereof to one vote.

Any director who shall have been elected by holders of $4.30 Dividend Cumulative Preferred Stock or by any director so elected as herein contemplated, may be removed at any time during a Class Voting Period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding shares of $4.30 Dividend Cumulative Preferred Stock given at a special meeting of such stockholders called for the purpose, and any vacancy thereby created may be filled during such Class Voting Period by the holders of $4.30 Dividend Cumulative Preferred Stock present in person or represented by proxy at such meeting. Any director to be elected by the Board of Directors of the Corporation to replace a director elected by holders of $4.30 Dividend Cumulative Preferred Stock or elected by a director as in this sentence provided shall be elected by the remaining director theretofore elected by the holders of $4.30 Dividend Cumulative Preferred Stock. At the end of the Class Voting Period the holders of $4.30 Dividend Cumulative Preferred Stock shall be automatically divested of all voting power vested in them under this subparagraph (e) but subject always to the subsequent vesting hereunder of voting power in the holders of $4.30 Dividend Cumulative Preferred Stock in the event of any similar default or defaults thereafter.

(f) The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares and other securities which are convertible into Common Stock and upon exercise of any outstanding rights or options to purchase Common Stock.

(g) Shares of $4.30 Dividend Cumulative Preferred Stock converted prior to November 1, 1977 shall not be reissued.

(h) All shares of $4.30 Dividend Cumulative Preferred Stock shall be of equal rank in respect of the preference as to dividends and to payments upon the liquidation, distribution or sale of assets, dissolution or winding up of the Corporation with all shares of the Preferred Stock without nominal or par value, the Preferred Stock with par value, the 5% Cumulative Preferred Stock, the $4.50 Dividend Cumulative Preferred Stock, and the $5.50 Dividend Cumulative Convertible Preferred Stock.

(i) While any of the $4.30 Dividend Cumulative Preferred Stock is outstanding the Corporation shall not alter or change the preferences, special rights or powers of the $4.30 Dividend Cumulative Preferred Stock so as to adversely affect the $4.30 Dividend Cumulative Preferred Stock without the affirmative consent (given in writing or at a meeting duly called for that purpose) of the holders of at least two-thirds (⅔rds) of the aggregate number of shares of $4.30 Dividend Cumulative Preferred Stock then outstanding.

$5.50 DIVIDEND CUMULATIVE CONVERTIBLE PREFERRED STOCK

6. (a) The holders of $5.50 Dividend Cumulative Convertible Preferred Stock, in preference to the holders of the Common Stock of the Corporation, shall be entitled to receive, as and when declared by the Board of Directors, dividends at the rate of $5.50 per share per annum and no more, payable quarterly on the last days of January, April, July, October in each year, commencing on the last day of the quarterly dividend period in which dividends on such shares commence to accrue. Such preferential

dividend on shares of $5.50 Dividend Cumulative Convertible Preferred Stock shall commence to accrue:

(i) if such stock is issued on or prior to the record date for the first dividend on shares of $5.50 Dividend Cumulative Convertible Preferred Stock, then from the date of issue thereof;

(ii) if such stock is issued during the period commencing immediately after the record date for a dividend on shares of the $5.50 Dividend Cumulative Convertible Preferred Stock and ending at the close of business on the payment date for such dividends, then from such last mentioned dividend payment date; and

(iii) otherwise from the dividend payment date next preceding the date of issue of such shares.

Preferential dividends on the $5.50 Dividend Cumulative Convertible Preferred Stock shall be deemed to accrue from day to day. A quarterly dividend period shall begin on the day following each dividend payment date set forth above and end on the next succeeding dividend payment date. Such preferential dividends shall be cumulative, so that if dividends in respect of any quarterly dividend period at the rate of $5.50 per share per annum shall not have been paid upon and declared and set apart for the $5.50 Dividend Cumulative Convertible Preferred Stock, the deficiency shall be fully paid or declared and set apart before any dividend which shall be paid upon or declared or set apart for the Common Stock. Accumulations of dividends on shares of $5.50 Dividend Cumulative Convertible Preferred Stock shall not bear interest.

(b) The $5.50 Dividend Cumulative Convertible Preferred Stock shall be preferred as to assets over the Common Stock, so that in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of $5.50 Dividend Cumulative Convertible Preferred Stock shall be entitled to have set apart for them, or to be paid out of the assets of the Corporation, before any distribution is made to or set apart for the holders of Common Stock, an amount in cash equal to $20.00 per share plus a sum equal to accrued and unpaid dividends thereon, whether or not declared, and after payment of such amount such shares of $5.50 Dividend Cumulative Convertible Preferred Stock shall participate with the shares of Common Stock of the Corporation and any other class or series of stock entitled to share with the Common Stock in the distribution of the remaining assets of the Corporation available for distribution to stockholders after the payment of all preferential distributions as if the shares of the $5.50 Dividend Cumulative Convertible Preferred Stock had been converted into shares of Common Stock of the Corporation; *provided, however,* that in no event shall the holders of the $5.50 Dividend Cumulative Convertible Preferred Stock be entitled to receive upon such voluntary or involuntary liquidation, dissolution or winding up an amount in excess of $100.00 (including the $20.00 per share preferential distribution) for each share of $5.50 Dividend Cumulative Convertible Preferred Stock plus a sum equal to accrued and unpaid dividends thereon, whether or not declared.

(c) At the option of the Corporation, by vote of the Board of Directors, the $5.50 Dividend Cumulative Convertible Preferred Stock may be redeemed as a whole or in part at any time or from time to time on or after February 1, 1983 at a redemption price equal to $100.00 per share, plus an amount equal to accrued and unpaid dividends thereon to the date fixed for redemption, whether or not earned or declared, and no more. If less than all of the outstanding shares of $5.50 Dividend Cumulative Convertible Preferred Stock are to be redeemed, the shares to be redeemed shall be determined by lot in such manner as the Board of Directors in its sole discretion shall prescribe.

At least thirty days prior to the date fixed for the redemption of shares of the $5.50 Dividend Cumulative Convertible Preferred Stock, a written notice shall be mailed to each holder of record of shares of $5.50 Dividend Cumulative Convertible Preferred Stock to be redeemed in a postage prepaid envelope addressed to such holder at his post office address as shown on the records of the Corporation, notifying such holder of the election of the Corporation to redeem such shares, stating the date fixed for redemption thereof (hereinafter referred to as the "redemption date"), and calling upon such holder

to surrender to the Corporation on the redemption date at the place designated in such notice his certificate or certificates representing shares specified in such notice of redemption.

On or after the redemption date each holder of shares of $5.50 Dividend Cumulative Convertible Preferred Stock to be redeemed shall present and surrender his certificate or certificates for such shares to the Corporation at the place designated in such notice and thereupon the redemption price of such shares shall be paid to or on the order of the person whose name appears on such certificate or certificates as the owner thereof and each surrendered certificate shall be cancelled.

In case less than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

From and after the redemption date (unless default shall be made by the Corporation in payment of the redemption price) all dividends on the shares of $5.50 Dividend Cumulative Convertible Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price thereof upon the surrender of certificates representing the same, shall cease and terminate and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the books of the Corporation, and such shares shall not be deemed to be outstanding for any purpose whatsoever.

At its election the Corporation prior to the redemption date may deposit the redemption price of the shares of $5.50 Dividend Cumulative Convertible Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company (having a capital and surplus of not less than $1,000,000) in the City of Wilmington, Delaware or in the Borough of Manhattan, City and State of New York or in any other city in which the Corporation at the time shall maintain a transfer agency with respect to such stock, in which case such redemption notice shall state the date of such deposit, shall specify the office of such bank or trust company as the place of payment of the redemption price, and shall call upon such holders to surrender the certificates representing such shares at such price on or after the date fixed in such redemption notice (which shall not be later than the redemption date) against payment of the redemption price. From and after the making of such deposit, the shares of $5.50 Dividend Cumulative Convertible Preferred Stock so designated for redemption shall not be deemed to be outstanding for any purpose whatsoever, and the rights of the holders of such shares shall be limited to the right to receive the redemption price of such shares, without interest, upon surrender of the certificates representing the same to the Corporation at said office of such bank or trust company, and the right of conversion (on or before the tenth day prior to the date fixed for redemption) herein provided. Any funds so deposited which shall not be required for such redemption because of the exercise of such right of conversion after the date of such deposit shall be returned to the Corporation forthwith. Any interest accrued on such funds shall be paid to the Corporation from time to time.

Any moneys so deposited which shall remain unclaimed by the holders of such $5.50 Dividend Cumulative Convertible Preferred Stock at the end of six years after the redemption date, shall be returned by such bank or trust company to the Corporation after which the holders of the $5.50 Dividend Cumulative Convertible Preferred Stock shall have no further interest in such moneys.

All shares of the $5.50 Dividend Cumulative Convertible Preferred Stock redeemed shall be cancelled and retired and no shares shall be issued in place thereof.

(d) Except as otherwise herein or by law provided, (i) on each matter submitted to a vote of stockholders of the Corporation (including mergers or consolidations unless such multiple voting is prohibited by statute in connection therewith), each holder of $5.50 Dividend Cumulative Convertible Preferred Stock shall, for each share held by him, be entitled to the number of votes equal to the number of shares (including fractions thereof) of Common Stock into which such share of $5.50 Dividend Cumulative Convertible Preferred Stock may be converted pursuant to subparagraph (f) below on the record date for determining stockholders entitled to vote, and (ii) the $5.50 Dividend Cumulative Convertible Preferred Stock, the Common Stock of the Corporation, and any other capital stock of the Corporation at the time entitled thereto, shall vote together as one class, and notwithstanding that

the holders of $5.50 Dividend Cumulative Convertible Preferred Stock, voting as a class, may be entitled to elect two directors as hereinafter provided, they shall be entitled to participate with the Common Stock (or any other capital stock as aforesaid) in the election of any other directors.

(e) In case at any time three or more full quarterly dividends (whether consecutive or not) on the $5.50 Dividend Cumulative Convertible Preferred Stock shall be in arrears, then during the period (hereinafter in this subparagraph (e) called the Class Voting Period) commencing with such time and ending with the time when all arrears in dividends on the $5.50 Dividend Cumulative Convertible Preferred Stock shall have been paid and the full dividend on the $5.50 Dividend Cumulative Convertible Preferred Stock for the then current quarterly dividend period shall have been declared and paid or set aside for payment, at any meeting of the stockholders of the Corporation held for the election of directors during the Class Voting Period, the holders of $5.50 Dividend Cumulative Convertible Preferred Stock represented in person or by proxy at said meeting shall be entitled, as a class, to the exclusion of the holders of all other classes of stock of the Corporation, to elect two directors of the Corporation, each share of $5.50 Dividend Cumulative Convertible Preferred Stock entitling the holder thereof to one vote.

Any director who shall have been elected by holders of $5.50 Dividend Cumulative Convertible Preferred Stock or by any director so elected as herein contemplated, may be removed at any time during a Class Voting Period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding shares of $5.50 Dividend Cumulative Convertible Preferred Stock given at a special meeting of such stockholders called for the purpose, and any vacancy thereby created may be filled during such Class Voting Period by the holders of $5.50 Dividend Cumulative Convertible Preferred Stock present in person or represented by proxy at such a meeting. Any director to be elected by the Board of Directors of the Corporation to replace a director elected by holders of $5.50 Dividend Cumulative Convertible Preferred Stock or elected by a director as in this sentence provided shall be elected by the remaining director theretofore elected by the holders of $5.50 Dividend Cumulative Convertible Preferred Stock. At the end of the Class Voting Period the holders of $5.50 Dividend Cumulative Convertible Preferred Stock shall be automatically divested of all voting power vested in them under this subparagraph (e), but subject always to the subsequent vesting hereunder of voting power in the holders of $5.50 Dividend Cumulative Convertible Preferred Stock in the event of any similar default or defaults thereafter.

A meeting for the removal of a director elected by the holders of the $5.50 Dividend Cumulative Convertible Preferred Stock as a class and the filling of the vacancy created thereby shall be called by the Secretary of the Corporation within ten (10) days after receipt of a request therefor, signed by the holders of not less than 25% of the then outstanding shares of $5.50 Dividend Cumulative Convertible Preferred Stock, and such meeting shall be held at the earliest practicable date thereafter. At such meeting, the presence in person or by proxy of the holders of a majority of the outstanding shares of $5.50 Dividend Cumulative Convertible Preferred Stock shall be required to constitute a quorum; in the absence of a quorum, a majority of the holders present in person or by proxy shall have power to adjourn the meeting from time to time without notice, other than announcement at the meeting, until a quorum shall be present.

(f) Each share of the $5.50 Dividend Cumulative Convertible Preferred Stock may be converted, at the option of the holder thereof, at any time (but in case the same shall be called for redemption, only until the close of business on the tenth day prior to the date fixed for the redemption thereof) into three shares of fully paid and non-assessable Common Stock of the Corporation, the respective number of shares of Common Stock in any case being subject to adjustment, however, as hereinafter in subparagraph (g) provided. The period during which shares of $5.50 Dividend Cumulative Convertible Preferred Stock may be so converted is hereinafter in this paragraph 6 called the conversion period. Upon any such conversion of shares of $5.50 Dividend Cumulative Convertible Preferred Stock no allowance or adjustment shall be made with respect to the dividends upon either class of Stock.

Such option to convert shares of $5.50 Dividend Cumulative Convertible Preferred Stock into shares of Common Stock may be exercised by, and only by, surrendering for such purpose to the Corporation, at the office of one of its Transfer Agents for its Common Stock for the time being, located in the City of New York or in Wilmington, Delaware, certificates representing the shares to be converted, duly endorsed or accompanied by proper instruments of transfer, if so required by the Corporation or any such Transfer Agent. At the time of such surrender, the person exercising such option to convert shall be deemed to be the holder of the shares of Common Stock issuable upon such conversion, notwithstanding that the stock transfer books of the Corporation may then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to such person.

The term "Common Stock," as used in this paragraph 6, shall mean Common Stock of the character authorized at the date of the initial issuance of the $5.50 Dividend Cumulative Convertible Preferred Stock or, in case of a reclassification or exchange of such Common Stock, shares of the stock into or for which such Common Stock shall be reclassified or exchanged and all provisions of this paragraph 6 shall be applied appropriately thereto and to any stock resulting from any subsequent reclassification or exchange thereof.

(g) The number of shares of Common Stock into which the shares of $5.50 Dividend Cumulative Convertible Preferred Stock may be converted shall be subject to adjustment from time to time in certain instances as follows:

(1) If at any time during the conversion period the outstanding shares of Common Stock of the Corporation shall be subdivided or combined into a greater or smaller number of shares (by way of reclassification or split up of shares or in any other manner), then the number of shares of Common Stock into which each share of $5.50 Dividend Cumulative Convertible Preferred Stock may be converted shall be increased or reduced in the same proportion.

(2) If at any time during the conversion period there is declared on the Common Stock of the Corporation any dividend payable in Common Stock of the Corporation, then the number of shares of Common Stock into which each share of $5.50 Dividend Cumulative Convertible Preferred Stock may be converted shall be increased in the same proportion as the aggregate number of shares of Common Stock issued on account of such dividend (other than treasury shares) bears to the aggregate number of shares of Common Stock on which such dividend is paid.

(3) If the Corporation shall issue or sell any shares of Common Stock (excluding certain shares hereinafter set forth in clause (4) of this subparagraph (g)) for a consideration per share less than the conversion price (determined by dividing One Hundred Dollars ($100) by the number of shares of Common Stock deliverable upon conversion of each share of $5.50 Dividend Cumulative Convertible Preferred Stock, immediately before the time provided for such adjustment), said conversion price shall be adjusted to a price determined by dividing:

(i) an amount equal to (A) the number of issued shares of Common Stock immediately prior to such issuance or sale multiplied by the then current conversion price plus (B) the consideration, if any, received by the Corporation upon such issuance or sale and plus (C) the net excess, if any, of the aggregate proceeds actually received from the sale or issuance of Common Stock (except as provided in clause (4) of this subparagraph (g) over the then current conversion price less (D) the deficiency in the aggregate proceeds, received or deemed to be received, from the sale or issuance of Common Stock (except as provided in clause (4) of this subparagraph (g)) under the then current conversion price (excluding the consideration received under (B) above) all as determined since the last required change in the conversion price as a result of this formula, by

(ii) the number of issued shares of Common Stock immediately after such issuance or sale.

After such calculation, the number of shares of Common Stock deliverable upon conversion of each share of the $5.50 Dividend Cumulative Convertible Preferred Stock shall be the quotient obtained by dividing One Hundred Dollars ($100) by the conversion price so adjusted; *provided, however,* that notwithstanding the foregoing, no adjustment shall be made pursuant to this clause (3) which would result in a reduction of the number of shares of Common Stock deliverable upon such conversion, except for an adjustment occurring after a prior increase as provided in (b)(iv) and (v) of this clause (3).

For the purpose of this clause (3), the following provisions shall be applicable:

(a) In case of the issuance or sale of Common Stock for cash, the consideration shall be deemed to be the cash proceeds received by the Corporation before deducting any discounts, commissions or other expenses incurred in connection therewith. In the case of issuance or sale of Common Stock (otherwise than upon conversion or exchange of securities by their terms convertible or exchangeable into Common Stock) for a consideration other than cash, the amount of such consideration shall be deemed to be the fair value thereof as determined by the Board of Directors, irrespective of the accounting treatment thereof.

(b) If the Corporation issues options or rights to subscribe for shares of Common Stock or issues securities convertible into, exchangeable for, or carrying rights of purchase of, shares of Common Stock, and if the consideration per share of the Common Stock deliverable upon exercise of such options or rights or upon conversion or exchange of such securities (determined by dividing the total amount received or receivable by the Corporation as consideration for the granting of such options or rights or the issue or sale of such convertible or exchangeable securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the exercise, conversion or exchange thereof, by the total maximum number of shares of Common Stock issuable upon such exercise, conversion or exchange), is less than the conversion price in effect as to the $5.50 Dividend Cumulative Convertible Preferred Stock immediately prior to such issuance:

(i) In the case of options or rights, the shares of Common Stock deliverable upon their exercise shall be considered to have been issued at the time of issuance of such options or rights and the aggregate consideration shall be the minimum purchase price payable to the Corporation upon exercise of such options or rights plus any additional consideration received by it for such options or rights at the time of their issuance.

(ii) In the case of convertible or exchangeable securities, the maximum number of shares of Common Stock initially deliverable upon their conversion or exchange shall be considered to have been issued at the time of issuance or sale of such securities, and for a consideration equal to the consideration received by the Corporation for such securities, before deducting any discounts, commissions or other expenses in connection with the issuance and sale of such securities, plus the minimum additional consideration, if any, receivable by the Corporation upon the conversion or exchange thereof.

(iii) No further adjustment of a conversion price shall be made upon the actual issue of such Common Stock upon the exercise of such rights or options or upon the conversion or exchange of such convertible or exchangeable securities.

(iv) Upon the expiration of such options or rights, or the termination of such right to convert or exchange, the conversion price shall forthwith be readjusted to such conversion price as would have obtained had the adjustment made upon the issuance of such options, rights, or convertible or exchangeable securities been made upon the basis of the issuance or sale of only the number of shares of Common Stock actually issued upon the exercise of such options or rights or upon the conversion or exchange of such securities.

(v) In the event that, prior to the expiration of such options or rights or the termination of such right to convert or exchange, the consideration payable on the issuance, sale or delivery of the shares of Common Stock shall increase, or the number of shares of Common Stock deliverable upon conversion of or in exchange for any such convertible or exchangeable security shall decrease, the conversion price shall forthwith be readjusted to such conversion price as would have obtained had the adjustment made upon the issuance of such options, rights or convertible or exchangeable securities been made (except with respect to options or rights exercised or securities converted or exchanged prior to such readjustment) upon the basis of such increased consideration payable or decreased number of shares deliverable.

(vi) Options or rights issued or granted pro rata to stockholders without consideration and securities convertible into, exchangeable for, or carrying rights of purchase of, shares of Common Stock, which securities are issuable by way of dividend or other distribution to stockholders, shall be deemed to have been issued or granted at the close of business on the date fixed for the determination of stockholders and shall be deemed to have been issued without consideration.

(c) Any shares of Common Stock or other securities held in the treasury of the Corporation shall be deemed issued and the sale or other disposition thereof shall not be deemed an issuance or sale thereof.

(4) The conversion price shall not be adjusted by reason of,

(a) the issuance of shares upon the conversion of the 4½% Subordinated Debentures of Spiegel, Inc. due April 1, 1990 (Convertible Prior to April 1, 1975), or of the $4.30 Dividend Cumulative Preferred Stock (Convertible Prior to November 1, 1977), or of the $5.50 Dividend Cumulative Convertible Preferred Stock;

(b) the issuance of shares upon the exercise of the Warrant of Spiegel, Inc. dated March 31, 1960 originally issued in the name of The Prudential Insurance Company of America;

(c) the issuance of shares pursuant to options or stock purchase agreements granted to, or entered into with, officers and employees of the Corporation or of any subsidiary, provided that such shares shall not exceed 150,000 shares of Common Stock, and provided further that such number of 150,000 shares shall be increased or decreased proportionately in the event of the subdivision or combination of the outstanding shares of Common Stock of the Corporation into a greater or smaller number of shares (by way of reclassification or split up of shares or in any other manner) or the declaration of stock dividends on the Common Stock of the Corporation;

(d) the issuance of shares pursuant to the Incentive Compensation Plan of the Corporation; and

(e) the issuance or sale of shares of Common Stock or of other securities by their terms convertible or exchangeable into Common Stock for a consideration other than cash (except to the extent that cash may be included in all or substantially all of the assets of a business being acquired by the Corporation), provided that the number of shares of Common Stock issued or sold or the number of shares of Common Stock into which such other securities are convertible or exchangeable does not exceed in the aggregate 250,000 shares, and provided further that such number of 250,000 shares shall be increased or decreased proportionately in the event of the subdivision or combination of the outstanding shares of Common Stock of the Corporation into a greater or smaller

number of shares (by way of reclassification or split up of shares or in any other manner) or the declaration of stock dividends on the Common Stock of the Corporation.

(5) No adjustment in the conversion prices resulting from the application of the foregoing provisions is to be given effect unless, by making such adjustment, the conversion price in effect immediately prior to such adjustment would be changed by fifty cents or more, and such adjustment shall be made only in amounts of fifty cents or a multiple thereof, but any adjustment which would change the conversion price by less than fifty cents or a multiple thereof is to be carried forward and given effect in making future adjustments. All calculations under this subparagraph (g) shall be made to the nearest cent or to the nearest one-hundredth (1/100th) of a share, as the case may be.

(h) Whenever the number of shares of Common Stock deliverable upon the conversion of the shares of $5.50 Dividend Cumulative Convertible Preferred Stock shall be adjusted pursuant to the provisions hereof, the Corporation shall forthwith file at its principal office and with the transfer agent or agents for the $5.50 Dividend Cumulative Convertible Preferred Stock and for such Common Stock a statement, signed by the President or one of the Vice-Presidents of the Corporation and by its Treasurer or one of its Assistant Treasurers stating the adjusted number of shares of Common Stock deliverable per share of $5.50 Dividend Cumulative Convertible Preferred Stock and setting forth in reasonable detail the method of calculation and the facts requiring such adjustment and upon which such calculation is based. Each adjustment shall remain in effect until a subsequent adjustment hereunder is required.

The Corporation shall at all times reserve and keep available out of its authorized but unissued Common Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of $5.50 Dividend Cumulative Convertible Preferred Stock and all other outstanding shares and other securities which are convertible into Common Stock, and upon exercise of any outstanding rights or options to purchase Common Stock.

(i) In connection with the conversion of shares of $5.50 Dividend Cumulative Convertible Preferred Stock into Common Stock, no fractions of shares of $5.50 Dividend Cumulative Convertible Preferred Stock nor of Common Stock shall be issued; and, in lieu thereof, non-dividend bearing non-voting scrip (exchangeable when combined for full shares) may be issued, or the Board of Directors may make such provisions for the stockholders in lieu of the issue of scrip as it may determine, including payment in cash or sale of stock to the extent of any fractions of shares and distribution of the net proceeds or otherwise. The Board of Directors may determine and fix the form of such scrip, whether bearer or otherwise, the denomination thereof, the expiration dates thereof, any provisions permitting sale of the full shares for which such scrip is exchangeable for the account of the holder of such scrip (or in lieu of sale of such full shares, provisions for the determination of the value thereof, based upon quotations therefor on the New York Stock Exchange on any specified date or dates or based upon any other method or methods of determination of value, and for payment of the value so determined to the holders of such scrip), and any other terms or provisions of such scrip as it may deem advisable.

(j) Shares of $5.50 Dividend Cumulative Convertible Preferred Stock converted shall not be reissued.

(k) All shares of $5.50 Dividend Cumulative Convertible Preferred Stock shall be of equal rank in respect of the preference as to dividends and to preferential payments upon the liquidation, distribution or sale of assets, dissolution or winding up of the Corporation with all shares of the Preferred Stock without nominal or par value, the Preferred Stock with par value, the 5% Cumulative Preferred Stock, the $4.50 Dividend Cumulative Preferred Stock and the $4.30 Dividend Cumulative Preferred Stock.

(l) While any of the $5.50 Dividend Cumulative Convertible Preferred Stock is outstanding the Corporation shall not alter or change the preferences, special rights or powers of the $5.50 Dividend Cumulative Convertible Preferred Stock so as to adversely affect the $5.50 Dividend Cumulative Convertible Preferred Stock without the affirmative consent (given in writing or at a meeting duly called for that purpose) of the holders of at least two-thirds (⅔rds) of the aggregate number of shares of $5.50 Dividend Cumulative Convertible Preferred Stock then outstanding; *provided, however,* that the authorization, increase in the authorized amount of, or issue of any class or series of stock ranking on a parity with the $5.50 Dividend Cumulative Convertible Preferred Stock as to the payment of dividends and the preferential distribution of assets shall not be deemed to be such an alteration or change.

(m) If at the time any of the $5.50 Dividend Cumulative Convertible Preferred Stock is outstanding, the Corporation will not, without the affirmative consent (given in writing or at a meeting duly called for that purpose) of the holders of at least two-thirds (⅔rds) of the aggregate number of shares of $5.50 Dividend Cumulative Convertible Preferred Stock then outstanding, at any time during the conversion period, consolidate or merge with or into another corporation (whether or not the Corporation is the surviving corporation), or sell all or substantially all of its assets to another corporation, unless in connection therewith lawful and adequate provision is made whereby the holders of $5.50 Dividend Cumulative Convertible Preferred Stock shall receive the right to convert during the conversion period into the kind and amount of shares of stock and other securities to be received by holders of the number of shares of Common Stock of the Corporation into which the $5.50 Dividend Cumulative Convertible Preferred Stock might have been converted immediately prior to such consolidation, merger or sale, which right shall be subject to adjustment, as nearly equivalent as may be practicable to the adjustments provided for in this paragraph 6.

7. No preferential dividend shall be paid upon or declared or set apart for any share of Preferred Stock of any class or series thereof of the Corporation for any quarterly or semi-annual dividend period, as the case may be, unless at the same time a preferential dividend shall be paid upon or declared and set apart for all shares of such Preferred Stock of any class or series thereof then issued and outstanding upon which a dividend is then due and payable, and if the amount of any preferential dividend declared upon such Preferred Stock shall be less than the full preferential dividend then due and payable upon all such Preferred Stock of all classes and series thereof then issued and outstanding, the preferential dividend paid upon the several classes or series thereof of such Preferred Stock then issued and outstanding shall be proportionate to the amount so due and payable with respect to such several classes and series thereof.

COMMON STOCK

8. (a) After the requirements with respect to preferential dividends upon the Preferred Stock of all classes and series thereof shall have been met and after the Corporation shall have complied with all requirements, if any, with respect to the setting aside of sums as a sinking fund or redemption or purchase account for the benefit of any class or series thereof of Preferred Stock, then and not otherwise, the holders of Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board of Directors.

(b) After distribution in full of the preferential amounts to be distributed to the holders of all classes and series thereof of Preferred Stock then outstanding in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares of Common Stock held by them respectively, subject to the rights of holders of $5.50 Dividend Cumulative Convertible Preferred Stock to share in such distribution to the extent specified in subparagraph 6(b) above.

(c) Each holder of Common Stock shall have one vote in respect of each share of such stock held by him.

9. A liquidation, dissolution or winding up of the Corporation, as such terms are used in this Article IV, shall not be deemed to be occasioned by or to include (a) any consolidation or merger of the Corporation with or into any other corporation or corporations, or (b) any sale, lease, exchange or other transfer of any or all of the assets of the Corporation to another corporation or corporations pursuant to a plan which shall provide for the receipt by the Corporation or its stockholders, as all or the major portion of the consideration for such sale, lease, exchange or transfer, of securities of such other corporation or corporations or of any company or companies subsidiary to, controlled by, or affiliated with such other corporation or corporations.

10. The amount of the authorized stock of the Corporation of any class or classes may be increased or decreased, in the manner provided by law, by an affirmative vote of holders of the stock of the Corporation having a majority of the voting power.

The Board of Directors of the Corporation may authorize the issuance from time to time, without any vote or other action by stockholders, of all or any shares of stock of the Corporation of any class now or hereafter authorized, part paid receipts or allotment certificates in respect of any such shares, and any securities convertible into or exchangeable for any such shares (whether such shares, receipts, certificates or securities be unissued or issued and thereafter acquired by the Corporation), in each case to such corporations, associations, partnerships, firms, individuals or others, for such consideration and on such terms as the Board of Directors from time to time in its discretion lawfully may determine. In the discretion of the Board of Directors any such shares, receipts, certificates, securities, warrants or other instruments may be offered from time to time to the holders of any class or classes of stock of the Corporation to the exclusion of the holders of any or all other classes of stock at the time outstanding.

11. No holder of any stock of the Corporation of any class now or hereafter authorized shall have any right as such holder (other than such right, if any, as the Board of Directors in its discretion may determine) to purchase, subscribe for or otherwise acquire any share of stock of the Corporation of any class now or hereafter authorized, or any part paid receipts, or allotment certificates in respect of any such shares, or any securities convertible into or exchangeable for any such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire any such shares, whether such shares, receipts, certificates, securities, warrants or other instruments be unissued or issued and thereafter acquired by the Corporation.

12. Except as otherwise provided by statute, any action which might have been taken by a vote of the stockholders at a meeting thereof, may be taken with the written consent of such of the holders of stock who would have been entitled to vote upon the action if a meeting were held as have not less than the minimum percentage of the total vote required by statute for the proposed corporate action; *provided* that prompt notice shall be given to all stockholders of the taking of such corporate action without a meeting if less than unanimous consent is obtained.

ARTICLE V

1. Elections of directors need not be by ballot unless the By-laws of the Corporation shall so provide.

2. Any director may be removed from office either with or without cause at any time by the affirmative vote of holders of the stock of the Corporation entitled to vote having a majority of the voting power, given at a meeting of the stockholders called for that purpose.

3. In furtherance and not in limitation of the power conferred upon the Board of Directors by law, the Board of Directors shall have power to make, adopt, alter, amend and repeal from time to time By-laws of the Corporation, subject to the right of stockholders entitled to vote with respect thereto to alter and repeal By-laws made by the Board of Directors.

ARTICLE VI

Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

ARTICLE VII

The Corporation shall be deemed, for all purposes, to have reserved the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by statute and all rights hereunder conferred upon stockholders are granted subject to such reservations; *provided, however,* that so long as any share of the $4.50 Dividend Cumulative Preferred Stock or any share of the $4.30 Dividend Cumulative Preferred Stock or any share of the $5.50 Dividend Cumulative Convertible Preferred Stock is outstanding, this Certificate of Incorporation shall not be amended, and the Board of Directors shall not have authority under paragraph 1 of Article IV hereof, (a) to create any class or series of stock of the Corporation which shall, or (b) to reclassify any authorized class or series of stock of the Corporation to, rank prior to the $4.50 Dividend Cumulative Preferred Stock or the $4.30 Dividend Cumulative Preferred Stock or the $5.50 Dividend Cumulative Convertible Preferred Stock in respect of the preference as to dividends and to payments upon liquidation, distribution or sale of assets, dissolution or winding up of the Corporation without the affirmative consent (given in writing or at a meeting duly called for that purpose) of the holders of at least two-thirds (⅔rds) of the aggregate number of shares of $4.50 Dividend Cumulative Preferred Stock, $4.30 Dividend Cumulative Preferred Stock, and $5.50 Dividend Cumulative Convertible Preferred Stock, respectively, then outstanding, each voting separately as a class; and further provided that the provisions of this Article VII are subject to any requirement under the provisions of Article IV hereof of a consent of the holders of such shares or any thereof under any other circumstances.

Six Months Ended June 30, 1980

Interim Report to Shareholders

Beneficial Corporation

AR31

Second Quarter Net Income Off 27.1%

First Half Net Income Off 33.3%

Finance Net Up 2.1% in Quarter

Beneficial Corporation

Financial Highlights

(in millions)	Three Months Ended June 30 1980	Three Months Ended June 30 1979	% Change	Six Months Ended June 30 1980	Six Months Ended June 30 1979	% Change
Consolidated						
Net Income	$ 23.1	$ 31.7	(27.1)	$ 41.9	$ 62.8	(33.3)
Earnings per Common Share	.85	1.36	(37.5)	1.50	2.70	(44.4)
Dividends per Common Share	.50	.50	—	1.00	.95	5.3
Finance Division						
Revenue	334.3	239.2	39.8	661.5	465.6	42.1
Net Income	29.7	29.1	2.1	51.3	60.7	(15.5)
Principal of Finance Receivables*				4,248.4	3,330.6	27.6
Number of Accounts*				3.6	3.2	12.5
Average Account Balance*				1,195	1,041	14.8
Reserve for Credit Losses as % of Finance Receivables*				4.70%	4.82%	
Savings and Loan Division						
Revenue	41.0	36.8	11.4	80.0	74.9	6.8
Net Income (Loss)	(1.8)	2.1		.1	7.8	(98.7)
Equity of Beneficial Corporation in Net Income plus Purchase Accounting Adjustments	(.9)	2.9		2.1	4.4	(52.3)
Merchandising Division						
Net Sales and Other Revenue	247.1	295.6	(16.4)	500.5	562.7	(11.1)
Net Income (Loss)	(1.8)	3.5		(4.0)	4.5	

*At end of period

Beneficial Corporation
Beneficial Building, Wilmington, Delaware 19899

August 12, 1980

To Our Shareholders

Beneficial Corporation's earnings trend began to improve in the second quarter. While still representing a markedly adverse year-to-year comparison, second quarter profits showed noticeable recovery from the extremely depressed levels of both the fourth quarter of 1979 and first quarter of 1980. Second quarter net income of $23.1 million represented a decline of 27.1% from the year-ago total, while earnings per share fell 37.5% to $.85. However, this compares to fourth quarter earnings per share of $.49 and first quarter profits of $.65 per share. For the half, net income declined 33.3% to $41.9 million, while earnings per share dropped 44.4% to $1.50.

The quarter's improving earnings trend was driven by a sharp recovery in Consumer Finance Group profitability. Second quarter Consumer Finance Group earnings of $18.4 million represented a year-to-year gain of 24.3%, and were more than double the prior quarter's profits. However, Insurance Group earnings declined in the quarter, falling 16.2% to $12.9 million from $15.4 million in the second quarter of 1979. As previously disclosed, included in the prior year's results was a $2.8 million after-tax addition representing the recapture of reserves on a terminated reinsurance contract. Nevertheless, some weakening of Insurance Group operating fundamentals is evident in the quarter's results. Taken together, Finance Division earnings increased 2.1% to $29.7 million for the quarter, but declined 15.5% to $51.3 million for the half.

The improvement in Consumer Finance Group earnings was achieved despite a sharp increase in net charge-offs. For the quarter, net charge-offs rose to .60% of average receivables from .36% in the second quarter of 1979. For the half this percentage rose to 1.05% from .78% in 1979. Increased consumer bankruptcies under the new Federal Bankruptcy Act contributed significantly to total losses. Beneficial's conservative charge-off policy held delinquency at manageable levels despite recessionary economic conditions. At June 30, loan balances more than two months delinquent amounted to 1.41% of loan balances, up from 1.20% a year earlier but down from 1.43% at March 31, 1980.

Beneficial's previously-announced receivable contraction program continues in effect. During the quarter, gross receivables ran off $63.7 million, while net receivables fell only $11.2 million reflecting the fact that unearned finance charges declined because of the significant change in the mix of new business written towards real estate loans, which are generally written on a simple interest basis. For the six months gross and net receivables declined $123.5 million and $15.6 million, respectively. Current plans call for a faster rate of contraction in net receivables during the second half. However, as was true in the first six months, the net contraction will include substantial growth in second mortgage loans and a very significant run-off in unsecured, smaller loans. At June 30, real estate secured loans represented 29.8% of Beneficial's total receivables. This percentage will be higher by year end.

First Texas Financial Corporation felt the full brunt of the adverse industry conditions that affected nearly all savings and loans during the first half of this year. During the second quarter, First Texas recorded a net loss of $1.8 million, as lending spreads were severely squeezed by a pronounced roll-over of passbook savings deposits into high yielding certificates during March and April. During those months, the effective yield to depositors on six-month certificates approached 16% at one point. Including a $.9 million credit for purchase accounting adjustments, First Texas contributed a $.9 million net loss to Beneficial's earnings in the quarter, compared to profits of $2.9 million (including $.8 million in purchase accounting adjustments) in the second quarter of 1979. For the first half, First Texas' income contribution fell to $2.1 million from $4.4 million in 1979. Purchase accounting adjustments contributed $2.0 million and $1.1 million to the 1980 and 1979 totals, respectively.

Western Auto's second quarter profits fell to $1.1 million from $2.1 million in 1979, although it should be noted that the 1979 total includes $1.0 million in earnings from Western Acceptance Company (WAC), the finance subsidiary that was contributed upstream to Beneficial at the end of 1979. Reflecting the sharp slowdown in consumer spending and the absence of the sales of retail stores closed in September 1979, net sales and other revenue fell 20.5%. Continuing the trends of the first quarter, comparable store sales for the retail division showed progress, while wholesale volume was weak. For the first half, Western has recorded net earnings of $.6 million compared to profits of $2.8 million a year ago, which included $2.0 million in earnings from WAC. Also included in this year's results is a $1.3 million after-tax charge (taken in the first quarter) for settlement of dumping duty claims relating to the importation of TV sets of Japanese manufacture.

Spiegel's second quarter results continued most disappointing, as sales trends remained soft and increased interest expense continued to exert a significant drag on profitability. Spiegel lost $2.9 million in the second quarter compared to earnings of $1.4 million a year earlier, as total revenues declined 6.3%. For the six months, Spiegel has recorded a net loss of $4.6 million, versus earnings of $1.7 million in 1979, as revenues fell 4.2% and interest expense jumped $9.9 million (86.8%).

Finn M. W. Caspersen
Chairman of the Board

George R. Evans Robert A. Tucker
Office of the President

Beneficial News Update

Second Mortgages move to 29.8% of Portfolio

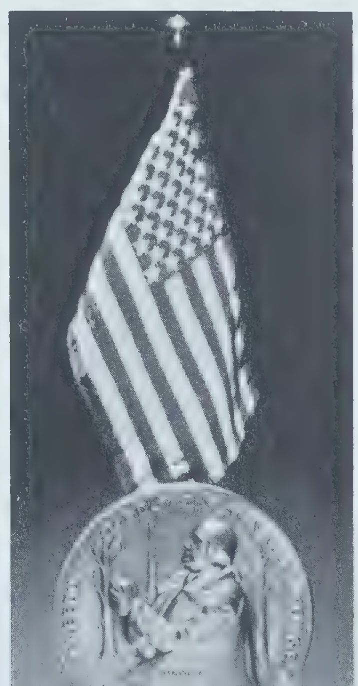
Under Beneficial's portfolio improvement program, second mortgage and other real estate secured loans increased by $196 million during the first six months of 1980 to 29.8% of total receivables as compared with 25.1% as at December 31, 1979. The increase in real estate secured receivables partially offsets the scheduled run-off in unsecured, smaller loans.

Western Auto Show Attracts 6,500

In May, Western Auto Supply Company introduced a national dealer show at Rivergate, the New Orleans' six square-block exhibition center, drawing over 6,500 associate store dealers and suppliers. Successfully replacing ten regional dealer shows in previous years, the national show featured over 500 supplier booths, seminars, business service booths and a model store demonstrating new merchandise ideas. Dealer orders at the show increased 29.8% over 1979.

Report to Younger Generation Receives Freedoms Foundation Award

Beneficial Corporation was awarded the George Washington Honor Medal from the Freedoms Foundation at Valley Forge for publication and distribution of *Susan, Jon and the Company Without a Factory*, Beneficial's 48 page report to the younger generation. Copies are available from Mr. Kenneth J. Kircher, Vice President and Secretary, Dept. FF, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.



Beneficial Corporation and Consolidated Subsidiaries

Balance Sheet

(in millions)	June 30 1980	1979
Assets		
Cash (includes compensating balances of $28.4 and $35.8)	$ 69.5	$ 28.2
Finance Receivables	4,855.9	3,922.0
Less Unearned Finance Charges	(607.5)	(591.4)
Principal of Finance Receivables (Note 2)	4,248.4	3,330.6
Less: Reserve for Credit Losses	(199.7)	(160.5)
Insurance Policy and Claim Reserves Applicable to Finance Receivables	(147.2)	(135.1)
Net Finance Receivables	3,901.5	3,035.0
Net Receivables Acquired from Western Auto (Note 2)	165.7	—
Acquired Assets to be Divested (Note 8)	195.8	—
Investments (Note 3)	937.5	572.7
Receivable from Merchandising Division	86.5	89.2
Equity in Net Assets of Non-Consolidated Subsidiaries		
Savings and Loan Division (Note 8 and Page 11)	58.5	46.9
Merchandising Division (Note 2 and Page 12)	267.3	348.3
Other	6.7	6.2
	332.5	401.4
Property and Equipment (at cost, less accumulated depreciation of $33.6 and $25.4)	88.5	43.1
Other Assets	343.1	231.1
Total	$6,120.6	$4,400.7
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 4)	$ 905.9	$ 536.1
Deposits Payable	92.6	17.8
Accounts Payable and Accrued Liabilities	262.4	169.8
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	362.3	134.7
Long-Term Debt (Note 5)	3,426.0	2,615.5
Total Liabilities	5,049.2	3,473.9
Redeemable Preferred Stock	125.0	—
Other Preferred Stock	116.5	116.8
Common Stock (60.0 shares authorized, 22.1 and 22.1 shares issued and outstanding)	22.1	22.1
Capital Surplus	61.9	62.0
Net Unrealized Loss on Equity Securities	(9.0)	(6.2)
Retained Earnings	754.9	732.1
Total	$6,120.6	$4,400.7

See Notes to Financial Statements.

Beneficial Corporation and Consolidated Subsidiaries

Statement of Income

(in millions)	Three Months Ended June 30 1980	Three Months Ended June 30 1979	Six Months Ended June 30 1980	Six Months Ended June 30 1979
Finance Division				
Revenue	$334.3	$239.2	$661.5	$465.6
Expenses				
Interest (Notes 1f and 9)	101.2	53.5	203.2	104.2
Salaries and Employee Benefits	51.5	40.4	104.0	78.5
Provision for Credit Losses (after offsetting recoveries)	26.5	23.3	48.8	39.7
Insurance Benefits Provided	57.4	33.9	108.6	59.9
Other	55.2	44.4	115.3	87.3
Total	291.8	195.5	579.9	369.6
Operating Income	42.5	43.7	81.6	96.0
Foreign Exchange Gain (Loss) (Notes 1e and 6)	2.3	.6	(.7)	.7
Income Before Income Taxes	44.8	44.3	80.9	96.7
Provision For Income Taxes (Note 7)	15.1	15.2	29.6	36.0
Income From Finance Division	29.7	29.1	51.3	60.7
Income (Loss) From Savings and Loan Division (Note 8)	(.9)	2.9	2.1	4.4
Income (Loss) From Merchandising Division	(1.8)	3.5	(4.0)	4.5
Interest Expense, After Income Taxes, Related to Investment in Non-Consolidated Subsidiaries (Notes 1f and 9)	(3.9)	(3.8)	(7.5)	(6.8)
Net Income	$ 23.1	$ 31.7	$ 41.9	$ 62.8
Earnings Per Common Share	$.85	$1.36	$1.50	$2.70
Average Outstanding Shares	22.3	22.2	22.3	22.2
Dividends Per Common Share	$.50	$.50	$1.00	$.95

See Notes to Financial Statements.

Beneficial Corporation and Consolidated Subsidiaries

Statement of Changes in Financial Position

	Three Months Ended June 30		Six Months Ended June 30	
(in millions)	1980	1979	1980	1979
Source of Funds				
Operations				
Net Income	$ 23.1	$ 31.7	$ 41.9	$ 62.8
Non-cash charges (credits) to income				
Provision for credit losses (before offsetting recoveries)	29.2	25.9	53.7	44.2
Increase (decrease) in unpaid expenses	9.4	4.0	30.7	11.5
Increase (decrease) in insurance reserves	.9	11.2	(3.6)	35.3
Depreciation, amortization, and other	6.5	3.7	10.0	6.1
Unrealized foreign exchange loss (gain)	(2.0)	(1.1)	.4	(1.3)
Deferred income taxes	(1.2)	(.2)	(3.1)	(1.2)
Undistributed net loss (income) of non-consolidated subsidiaries	2.6	(6.8)	1.6	(9.5)
Funds provided by operations	68.5	68.4	131.6	147.9
Collections of principal of finance receivables	495.6	426.1	1,025.8	829.1
Increase (decrease) in short-term debt	(50.7)	117.9	(68.6)	17.6
Increase (decrease) in accounts payable	(20.3)	(2.5)	(3.0)	17.9
Redeemable Preferred Stock issued	—	—	22.0	—
Long-term debt issued	81.2	238.9	181.8	411.7
Other	30.5	(15.8)	(38.5)	(43.8)
	$604.8	$833.0	$1,251.1	$1,380.4
Application of Funds				
New funds lent to customers	$468.5	$645.7	$1,022.8	$1,102.9
Principal of finance receivables purchased	26.2	51.9	42.3	69.7
Increase (decrease) in investments (at carrying amount)	75.4	45.2	79.7	105.8
Investment in Savings and Loan Division	—	70.6	—	70.6
Long-term debt paid	20.0	7.8	76.0	7.8
Dividends on capital stock				
Preferred	3.8	.9	8.5	2.9
Common	10.9	10.9	21.8	20.7
	$604.8	$833.0	$1,251.1	$1,380.4

See Notes to Financial Statements.

Notes to Financial Statements
(amounts in millions)

1. *Summary of Significant Accounting Principles and Practices*

a) Financial Statement Presentation The financial statements presented herein, prepared from the books and records of the companies, reflect all adjustments (all of a normal and recurring nature, except for provision by Western Auto for customs duties covered in Note 2 to Beneficial Corporation Merchandising Division Statement of Income) which, in the opinion of management, are necessary for a fair presentation. Certain prior-year amounts have been reclassified to conform to 1980 presentation.

b) Basis of Consolidation The consolidated financial statements include, after intercompany eliminations, the accounts of all significant subsidiaries except those comprising the Savings and Loan Division and the Merchandising Division, which are included on the equity method. See Note 8 for information on the Company's investment in the Savings and Loan Division.

c) Finance Operations The financial statements, except for consumer finance revenue, are prepared on the accrual basis.

Unearned finance charges generally are taken into income as earned and collected under the Rule of 78ths method. Income from interest-bearing direct cash loans is generally taken into income as collected.

Receivables considered uncollectible or to require disproportionate collection costs are charged monthly to the Reserve for Credit Losses, but collection efforts generally are continued.

d) Insurance Operations Insurance subsidiaries are engaged primarily in credit life, credit accident and health, and property and liability insurance.

Insurance policy acquisition costs are deferred and amortized over the lives of the policies in relation to earned premium.

Premiums on credit life and credit accident and health insurance are generally taken into income as earned under the Rule of 78ths. Premiums on property and liability insurance are taken into income on the straight-line method.

e) Translation of Foreign Currencies Assets, including immaterial amounts of property and equipment and related accumulated depreciation, and liabilities in foreign currencies are translated to U.S. dollar equivalents at the market rates at each Balance Sheet date. Translation of foreign operating results is at the average market rate for each period covered by the Statement of Income. The net gain or loss is credited or charged to income.

f) Interest Expense, after Income Taxes, Related to Investment in Subsidiaries Interest expense related to investment in subsidiaries which are not a part of the Finance Division is removed from interest expense of the Finance Division and is shown, net of taxes, as a separate item. Similarly, interest expense related to the investment in the Insurance Group has been removed from interest expense of the Consumer Finance Group (page 9), but remains in expense of the Finance Division (see Note 9).

The aggregate expense reflects the cost of funds used to acquire various subsidiaries as well as interest on funds borrowed by the parent company to pay dividends applicable to those subsidiaries to the extent that the subsidiaries have not paid dividends at the same payout ratio with regard to available net income as the parent company.

g) Amortization of Excess Cost of Net Assets Acquired Excess Cost for acquisitions before November 1, 1970 is not amortized. For significant acquisitions subsequent to that date, Excess Cost is amortized over 40 years.

2. *Finance Receivables and Net Receivables Acquired from Western Auto Supply Company*

The Principal of Finance Receivables at June 30 consists of the following:

	1980	1979
Real Estate Secured Loans	$1,267.7	$ 631.6
Other Loans	2,372.0	2,285.5
Total Loans	3,639.7	2,917.1
Sales Finance Contracts	398.8	286.3
Bank Credit Card Receivables	91.1	76.9
Lease Receivables	118.8	50.3
Total	$4,248.4	$3,330.6

At December 31, 1979 Western Auto distributed the stock of Western Acceptance Company as a dividend in the amount of $68.1 to Beneficial Corporation. Western Acceptance purchases, with recourse, customer receivables generated by Western Auto retail stores and associate stores. The reserve for credit losses applicable to these receivables is maintained by Western Auto.

3. *Investments*

The carrying amount of investments, principally held by the Insurance Group as long-term investments, at June 30 is as follows:

	1980	1979
Debt Securities:		
Municipal Bonds	$295.3	$268.7
Other	536.1	242.3
Total	831.4	511.0
Equity Securities	97.0	58.7
Other	9.1	3.0
Total Investments	$937.5	$572.7
Market Value	$871.1	$575.7

4. *Short-Term Debt*

	June 30	
	1980	1979
Banks	$173.1	$161.8
Commercial Paper	678.6	331.3
Total Short-Term Notes	851.7	493.1
Employee Thrift Accounts	57.2	44.5
Total	908.9	537.6
Unamortized Discount	(3.0)	(1.5)
Total Short-Term Debt	$905.9	$536.1

(continued)

Notes to Financial Statements *(concluded)*

(amounts in millions)

The average interest rate (interest expense incurred divided by daily average amount) for Short-Term Notes for the six months ended June 30 was:

	1980	1979
U.S. dollar borrowings	15.06%	10.77%
Foreign currency borrowings	12.68	10.42
Overall	14.58	10.67

5. *Long-Term Debt*

At June 30, 1980 and 1979 Long-Term Debt, of which 88.3% and 90.4% of the total is payable in U.S. currency, matures as follows:

	1980	1979
1979	$ —	$ 187.9
1980	79.5	157.1
1981	154.9	86.7
1982	93.9	20.9
1983	216.7	165.2
1984	605.6	157.1
1985	271.8	170.1
1986-2007	2,032.5	1,671.3
Total	3,454.9	2,616.3
Unamortized Discount	(28.9)	(.8)
Total Long-Term Debt	$3,426.0	$2,615.5
Weighted Average Annual Interest Rate on Debt Outstanding at End of Period	8.66%	7.57%

6. *Foreign Operations*

Significant data at June 30 regarding amounts denominated in foreign currencies and foreign operations for the six months then ended, after translation to U.S. dollar equivalents, are:

	1980	1979
Assets	$683.2	$561.0
Liabilities	657.2	488.7
Net Assets	$ 26.0	$ 72.3
Net Income	$17.1	$11.1
% of Finance Division total	33.3%	18.3%

7. *U.S. and Foreign Taxes on Income*

The expected and the effective U.S. and foreign tax rates on Finance Division Income before Income Taxes for the six months ended June 30 of 31.6% for 1980 and 33.9% for 1979 are lower than the expected tax rate of 46% principally because the income of insurance subsidiaries is taxed at lower effective rates.

8. *Acquisitions/Divestitures*

The Company began acquisition of the outstanding stock of First Texas Financial Corporation (now the Savings and Loan Division) in 1978, held 24.1% at March 31, 1979, and acquired the remaining shares on April 6, 1979. In mid-December 1979 the Company acquired Capital Financial Services Inc. and the consumer finance and insurance operations of Southwestern Investment Company. Results of operations of Capital and Southwestern, except consumer finance offices to be divested, are included in the Finance Division from that time. The acquisitions are accounted for as purchases.

An agreement has been reached to sell to Barclays-AmericanCorporation of Charlotte, North Carolina the consumer finance offices of Capital and Southwestern which the Company had agreed to divest in accordance with a consent decree between the Justice Department and the Company. The purchase price is subject to regulatory approvals and will depend on the amount of finance receivables held by the consumer finance offices at the closing date of the transaction. The net amount estimated to be received upon divestiture is shown on the balance sheet as Acquired Assets to be Divested. Regulatory approvals are anticipated in the second half of 1980.

Income from the Savings and Loan Division for the six months ended June 30 consists of the following:

	1980	1979
Company's Portion of Net Income of First Texas	$ .1	$3.3
Purchase Accounting Adjustments	2.0	1.1
Total	$2.1	$4.4

9. *Interest Expense*

For the six months ended June 30, 1980 the total amount of interest cost incurred was $233.1. Interest cost capitalized on office buildings being constructed for the Company's own use for the six months ended June 30, 1980 was $1.4. As permitted, the Company had elected to begin capitalization of interest subsequent to June 30, 1979.

The effect of the treatment for Interest Expense as set out in Note 1f for the six months ended June 30 can be summarized as follows:

	1980	1979
Net Income		
Finance Division:		
Consumer Finance Group	$26.3	$35.9
Insurance Group	27.9	26.8
Interest Expense, after Income Taxes, Related to Investment in Insurance Group	(2.9)	(2.0)
Income from Finance Division	51.3	60.7
Income from Savings and Loan Division	2.1	4.4
Income (Loss) from Merchandising Division	(4.0)	4.5
Interest Expense, after Income Taxes, Related to Investment in Non-Consolidated Subsidiaries	(7.5)	(6.8)
Total	$41.9	$62.8

Consumer Finance Group

Statement of Income

(in millions)	Three Months Ended June 30 1980	Three Months Ended June 30 1979	Six Months Ended June 30 1980	Six Months Ended June 30 1979
Revenue	$242.0	$175.2	$482.5	$348.6
Expenses				
Interest	98.2	51.2	197.3	99.9
Salaries and Employee Benefits	49.4	39.2	99.6	76.2
Provision for Credit Losses (after offsetting recoveries)	26.5	23.3	48.8	39.7
Advertising	2.4	6.3	9.2	12.5
Depreciation of Property and Equipment	2.4	1.7	4.1	3.4
Postage	3.2	2.4	6.3	4.9
Printing and Stationery	3.1	2.7	7.0	5.0
Rent	7.0	5.0	14.2	10.1
Telephone	5.1	4.1	10.7	8.0
Travel	3.0	2.3	6.7	4.8
Other	14.5	9.9	29.7	18.5
Total	214.8	148.1	433.6	283.0
Operating Income	27.2	27.1	48.9	65.6
Foreign Exchange Gain (Loss)	3.4	.5	—	1.0
Income Before Income Taxes	30.6	27.6	48.9	66.6
Provision For Income Taxes	12.2	12.8	22.6	30.7
Net Income (Note 9)	$ 18.4	$ 14.8	$ 26.3	$ 35.9

Supplemental Information

	1980 (Three Months)	1979 (Three Months)	1980 (Six Months)	1979 (Six Months)
During The Period				
Finance Receivables Charged Off (after offsetting recoveries)	$ 29.5	$ 13.5	$ 52.0	$ 28.7
% of Monthly Cash Collections to Average Monthly Balances	3.88	4.53	4.01	4.48
Annual Percentage Rate of Charges Collected	20.96	21.68	21.12	21.96
At End of Period				
Number of Consumer Finance Offices			2,313	2,007
% of Unearned Finance Charges to Related Finance Receivables			26.40	28.26
% of Finance Receivables (account balances, loans only) with Payments More than Two Months Delinquent (based upon recency of payment), excluding receivables of West German subsidiary			1.41	1.20

Insurance Group

Statement of Income

(in millions)	Three Months Ended June 30 1980	Three Months Ended June 30 1979	Six Months Ended June 30 1980	Six Months Ended June 30 1979
Revenue				
Premiums Earned	$76.1	$57.3	$146.7	$103.6
Investment Income (net)	16.2	7.2	31.9	14.4
Other Income	3.1	2.1	6.0	4.0
Total	95.4	66.6	184.6	122.0
Benefits and Expenses				
Policy Benefits	57.4	33.9	108.6	59.9
Commissions and Brokerage	14.2	17.2	26.0	28.0
Salaries and Employee Benefits	2.1	1.1	4.3	2.3
Decrease (Increase) in Unamortized Policy Acquisition Costs	(.3)	(6.8)	(1.1)	(6.9)
Licenses and Taxes	1.1	1.2	2.3	2.1
Other Expenses	2.7	1.5	6.5	2.8
Total	77.2	48.1	146.6	88.2
Operating Income	18.2	18.5	38.0	33.8
Foreign Exchange Gain (Loss)	(1.1)	.1	(.7)	(.3)
Income Before Income Taxes and Realized Net Investment Gains (Losses)	17.1	18.6	37.3	33.5
Provision For Income Taxes	4.2	3.2	9.4	6.9
Income Before Realized Net Investment Gains (Losses)	12.9	15.4	27.9	26.6
Realized Net Investment Gains (Losses)	—	—	—	.2
Net Income (Note 9)	$12.9	$15.4	$ 27.9	$ 26.8

Supplemental Information

During the Period				
Premiums Written	$97.9	$82.0	$ 174.1	$ 130.2
Ratio of Premiums Written to Shareholder's Equity (annualized)	1.15	1.50	1.03	1.19
At End of Period				
Investments			804.0	513.4
Unamortized Policy Acquisition Costs			60.7	39.0
Total Assets			831.8	613.9
Insurance Policy and Claim Reserves			509.5	269.8
Shareholder's Equity			339.6	219.1
Life Insurance in Force			6,911.9	5,169.5

Savings and Loan Division

Statement of Income

(in millions)	Three Months Ended June 30 1980	Three Months Ended June 30 1979	Six Months Ended June 30 1980	Six Months Ended June 30 1979
Revenue				
Interest on Loans	$35.0	$32.1	$68.9	$63.6
Other	6.0	4.7	11.1	11.3
Total	41.0	36.8	80.0	74.9
Expenses				
Interest	36.8	27.1	66.9	53.2
Provision for Losses	.1	.4	.1	.5
Salaries and Employee Benefits	3.0	3.1	5.9	5.8
Other	3.7	3.2	7.0	6.2
Total	43.6	33.8	79.9	65.7
Income (Loss) before Income Taxes	(2.6)	3.0	.1	9.2
Provision for Income Taxes	(.8)	.9	—	1.4
Net Income (Loss)	$(1.8)	$ 2.1	$ .1	$ 7.8

Supplemental Information

During the Period				
Loans Acquired	$ 59.5	$ 88.6	$ 121.9	$ 165.0
Rate on Loans Acquired	12.44%	10.54%	12.71%	10.35%
Increase (Decrease) in Savings Account Balances	$ 23.1	$ (3.8)	$ 43.6	$ 25.1
At End of Period				
Investments—Securities			$ 124.3	$ 117.8
Loans Receivable			1,458.8	1,397.5
Rate on Loan Portfolio			9.54%	8.96%
Total Assets			$1,651.7	$1,590.9
Savings Accounts			1,321.9	1,273.3
Cost of Savings			10.09%	7.59%
Overall Cost of Funds			10.09	7.79
Shareholder's Equity			$ 87.1	$ 81.0
Number of Offices			63	58

Merchandising Division

Statement of Income

(in millions)	Three Months Ended June 30 1980	Three Months Ended June 30 1979	Six Months Ended June 30 1980	Six Months Ended June 30 1979
Net Sales and Other Revenue	$247.1	$295.6	$500.5	$562.7
Expenses				
Cost of Goods Sold (including certain buying and occupancy expenses)	175.1	208.0	357.6	392.3
Selling and Administrative Expense	63.3	71.3	124.7	142.8
Interest Expense				
Beneficial Corporation	1.8	1.5	3.7	3.0
Other	10.9	8.5	20.3	16.2
Provision for Customs Duties (Note 2)	—	—	2.6	—
Total	251.1	289.3	508.9	554.3
Income (Loss) before Income Taxes	(4.0)	6.3	(8.4)	8.4
Provision for Income Taxes	(2.2)	2.8	(4.4)	3.9
Net Income (Loss)	$ (1.8)	$ 3.5	$ (4.0)	$ 4.5

Supplemental Information

	Spiegel 1980	Spiegel 1979	Western Auto 1980	Western Auto 1979	Total 1980	Total 1979
Three Months Ended June 30						
Net Sales and Other Revenue	$ 79.7	$ 85.1	$167.4	$210.5	$247.1	$ 295.6
Income (Loss) before Income Taxes	(5.8)	2.6	1.8	3.7	(4.0)	6.3
Net Income (Loss)	(2.9)	1.4	1.1	2.1	(1.8)	3.5
Six Months Ended June 30						
Net Sales and Other Revenue	169.0	176.4	331.5	386.3	500.5	562.7
Income (Loss) before Income Taxes	(9.2)	3.1	.8	5.3	(8.4)	8.4
Net Income (Loss)	(4.6)	1.7	.6	2.8	(4.0)	4.5
At June 30						
Receivables, Net of Unearned Finance Charges	430.5	420.6	125.8	311.9	556.3	732.5
Allowance for Doubtful Receivables	27.4	28.7	14.0	14.2	41.4	42.9
Inventories	45.0	40.7	159.3	177.4	204.3	218.1
Total Assets	514.0	494.4	357.9	563.2	871.9	1,057.6
Shareholder's Equity	81.4	87.4	185.9	260.9	267.3	348.3

Notes

1. At December 31, 1979 Western Auto distributed the stock of Western Acceptance Company as a dividend to Beneficial Corporation. Western Acceptance contributed net earnings of $1.0 million and $2.0 million, respectively, for the three month and six month periods ended June 30, 1979.

On January 1, 1980 Beneficial Corporation contributed the stock of Midland International Corporation, a wholly-owned subsidiary, to Western Auto. Prior period amounts pertaining to Western Auto have been restated to include Midland.

2. At March 31, 1980 Midland and Western Auto established a provision of $2.6 million as a result of an agreement for the settlement of dumping duty claims assessed by the U.S. Customs Service on television sets imported from Japan by Midland and Western Auto through March 1979. However, under a U.S. Court of Appeals order the U.S. government has been enjoined pending appeal from putting the settlement into effect.

Beneficial Corporation

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